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The National Magazine of Business Fundamentals

# CREDIT

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## MONTHLY

Vol. 32, No. 9



### ■ SEPTEMBER, 1930 ■

Jettison, by Dr. Stephen I. Miller  
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Insurance—A Liquid Asset, by  
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## Only Executives and Men

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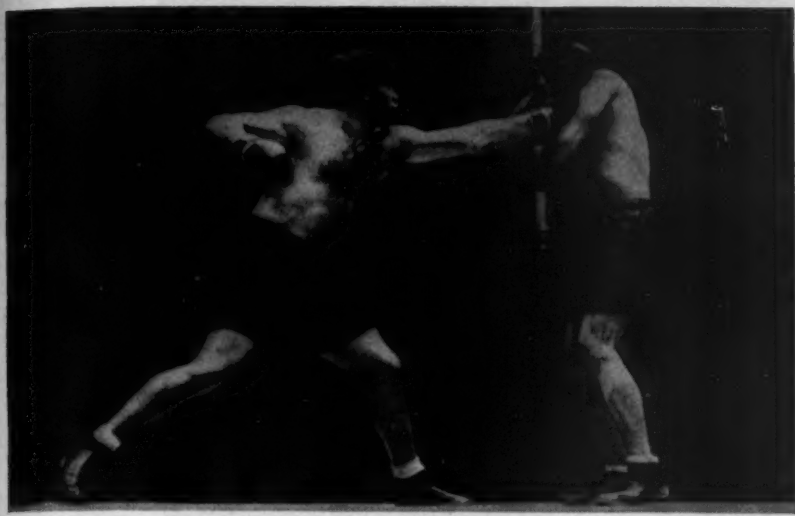
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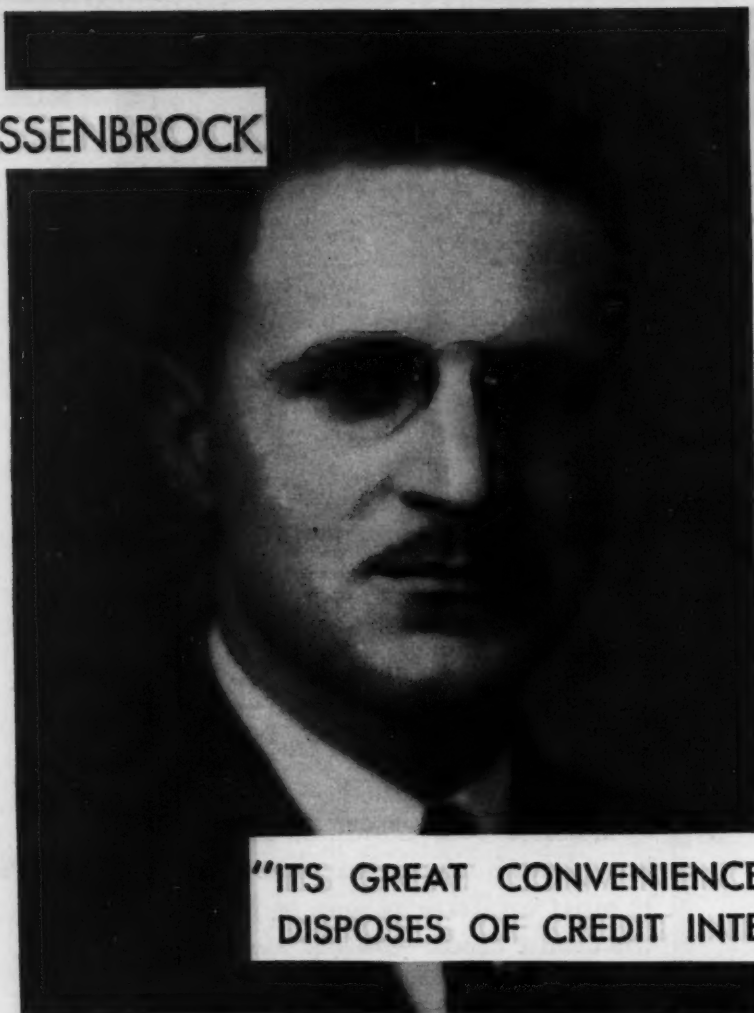
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# CREDIT

MONTHLY

The National Magazine of Business Fundamentals

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## Looking Ahead

The October CREDIT MONTHLY will contain one of the most significant contributions yet made to the field of security analysis in the form of a complete and detailed analysis of the General Motors Corporation over a five-year period. This article is rich in principles of analysis and in deductions that may be put into practical application in every phase of the security field.

J. H. Eydeler, secretary-treasurer of the H. E. Lisan Advertising Agency, contributes an article on the Credit Problems of an Advertising Agency. Don't miss this.

H. P. Weaver, Vice-President of the Independence Bureau, will have an article on Protection of Records Against Loss by Fire.

Henry J. Davenport, president of the Midwood Trust Company and Home Title Insurance Company, Brooklyn, New York, in his article answers the question, "Does the Panic of 1929 Teach Us Any Lesson?"

There will be another article in the series of Pioneers in American Business and Industry and a continuation of the analysis articles by Mr. Alexander Wall and Mr. John Stevenson.

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XXXII  
No. 9

SEPTEMBER, 1930

## .....EVENT AND COMMENT.....

### Low Boiling Point Men

THE MAN WHO has a low-boiling point gets off to a flying start that leaves his colleagues or competitors far behind. He is much more sensitive to his environment than the man with a high boiling point. He reacts more quickly and with more intensity of feeling than the average high-boiling point man. Beauty, ugliness, mockery, genuineness, right and wrong—all affect him much more quickly and deeply than they do the average man. He makes distinctions so rapidly and discerns so readily that his sense seems almost intuitive.

So many people function like engines on cold mornings. They have to be warmed up before they will run. The low-boiling point man is a self-starter. He doesn't need inspirational talks and preachments and proddings from others. He generates his own enthusiasm. His thoughts and emotions reach a white hot heat—they demand an outlet through creative channels of expression and work. Some men get where they are going. Others don't. Almost invariably you will find the low-boiling point man in the first category.



### International Backlog

BEFORE THE WAR the United States was the largest debtor nation in the world. We owed foreign countries approximately five billion dollars. Today the United States is the world's greatest creditor nation! And upon the basis of this position we hear such statements as "American exploitation of European and South American Resources", "Uncle

Sam—skin-flint Shylock", "American economic dominance", "American octopus", etc.

When the United States was the world's greatest debtor nation were such statements as the following ever made: "European exploitation of American resources", "John Bull—skin-flint Shylock", "Foreign economic dominance", or "European octopus"? No! This country never feared, nor prattled about, nor "propagandized" the foreign domination of American industry. We countenanced no such "bogey-man" as the "fearsome foreigner".

There are two particularly significant angles in relation to all of this silly slush and clap-trap about world economic and financial domination by the United States. Dr. Julius Klein recently made this statement: "No country in the history of the world has ever owed as much money to foreigners as we Americans do today." Where we owed around five billions before the war, we owe over seven and one-half billions today. Some of the countries that have the largest investment in the United States are making the loudest howl about our "world economic domination". Such an attitude is highly unreasonable and unfounded, to say the least.

We in the United States consider our world indebtedness as a reflection of world confidence in the progress of our nation and the soundness of our institutions. When foreign surplus is invested in American securities, when 20 of the 23 rayon manufacturing corporations in this country are branch plants of European interests, when a foreign-owned oil corporation enters into intensive internal competition with our own oil companies, when several of our large insurance companies are foreign owned and controlled, do you hear any echoing cries from this country of "impending menace", "money grabber" and "cutting purse strings"?

Yet even when the United States assumes a far greater risk in its foreign investments and operations the wail of "world domination" rises mournfully. The situation is almost disgusting. As a matter of fact, no condition will contribute so much to world welfare and mutuality of interests as American investments abroad and foreign investments in this country, and vice versa. Foreign holders of American securities are certain to wish us well—to do everything they can to help our progress continue. Profits paid to foreign countries from their

investments in American enterprises are a large factor in European economic recovery. And Europeans are beginning to realize this situation. This mutuality of interests through an exchange in investments is the great backlog of world-wide economic balance.

The forelogs, sticks and chips of tariffs, competition and embargoes may blaze up and burn into embers but this backlog of international investments insures basic soundness and understanding.



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## Bankruptcy Bell Rings

THE NATIONAL Association of Credit Men is still ringing the bell, that since 1898, has been calling business men together to promote and develop scientifically and equitably a system of bankruptcy procedure that will insure the best possible administration of bankruptcy matters.

President Hoover has authorized the Department of Justice to conduct a National investigation of Bankruptcy law and practice under the supervision of Solicitor General Thacher, who, as a United States District Judge, had a wide bankruptcy experience. The survey will be restricted almost entirely to the bankruptcy law and its administration rather than to the causes of failure.

The present bankruptcy law was enacted in 1898. The need for such a law was one of the chief reasons for organizing the National Association of Credit Men in 1896. In the movement to get Congress to pass the present law the National Association assumed the leadership. Since the law's enactment there have been no fundamental revisions, although the Association has continued its leadership in successful efforts to obtain several important amendments.

The National Association realizing the need for an impartial and unbiased investigation and hoping to enlist the aid of the government, sent representatives of the Association to meet in conference with Secretary of Commerce Lamont and Solicitor General Thacher. As a result of these conferences Solicitor General Thacher was able to obtain President Hoover's attention and support.

Changing economic conditions, wider national distribution, mass production and similar developments have made the present Bankruptcy act largely ineffective with the result that failures are increasing, costs of administration are growing and dividends to creditors declining.

At the present time business is staggering under sufficiently heavy burdens without shouldering the heavy losses from bankruptcies which total over

three-quarters of a billion dollars annually. Both business and the consuming public are paying for this vast waste and an intelligent revision of the act should be of great benefit to all concerned.

It is believed that the investigation contemplated will lead to such a revision. There is need for the careful study of the limitations of discharges. There should be strong provisions against persons who prey on business. The average returns to creditors are so small in bankruptcy cases that the law is often used by debtors as a threat to force creditors to accept less than one hundred cents in compromise settlement. The provisions covering the use of proxies in voting for the administration officials require careful study.

The National Association urges every business man to give his full support to the President and Solicitor General in this important undertaking.



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## Tub Sailors

ARE YOU A tub sailor —navigating the sea of life in a tub?

Captain Robert Dollar, with whom an interview is written on page 10, told me a boyhood experience which has suggested the preceding question. "I remember very well my first voyage," he said. "When about six years old I got a large washtub and floated it on the Forth and Clyde Canal. I had a stick for an oar, but when I tried to propel the tub it only turned around and around. I drifted away from shore, and becoming frightened, made a great outcry for help. My tub kept going in circles—not in a straight direction. My father rescued me and gave me a first class licking."

There are thousands and thousands of people trying to navigate the sea of life in a tub. Every day one sees these tub sailors, floundering about, and propelling their tubs around and around in circles—going nowhere, getting nowhere. And generally they are the chronic growlers and howlers. The tub in which most people find themselves adrift on the sea of life, is the tub of poor plans, poor coordination, wasted effort and indefinite objectives. The people who get to the ports of recognition and success have a ship of organized plans, with a well-defined prow of objectives that is pointing toward a specific port. And a rudder of steady application guides the propellers of effort in the direction the prow is pointed.



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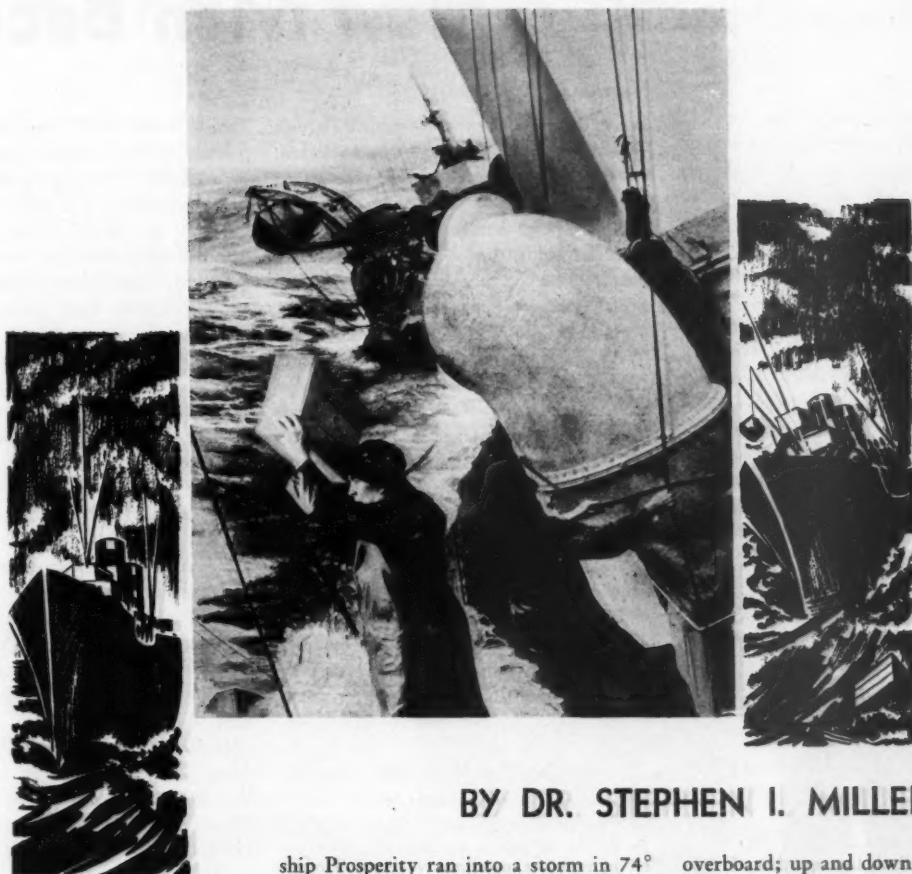
**"The country is not going to the  
dogs—it has gone to the bears."**

**DR. STEPHEN I. MILLER**

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# Jettison



BY DR. STEPHEN I. MILLER

**T**HE cargo of a ship has to be distributed properly or it may list; it must be fastened securely or it may shift; it must be within the load limit or the ship may sink. Good ships, well loaded, have struck rocks and icebergs and gone down at sea. Passengers have been known to crowd the rail and boats have turned turtle. Overloaded, listing, leaking ships must be piloted with great skill; passengers and crew must keep calm.

However, many an overloaded, listing, leaking ship has made port. This has often been accomplished by jettison, that is, by throwing part of the cargo overboard. Tons of merchandise and even masts, spars, fittings and riggings have been sacrificed for the purpose of lightening the ship. Under such circumstances the entire loss does not fall upon the owners of the merchandise which has been sacrificed, but is distributed by a system of "average" over the entire cargo.

In October, 1929 the good American

ship *Prosperity* ran into a storm in 74° longitude, 40° 41' latitude, a point on the industrial map known as Wall Street. There is no doubt on the part of keen business observers that the ship was overloaded, that the ship was listing badly due to the distribution of its cargo. At any rate, it ran into a storm and is now proceeding at a greatly reduced speed.

There is not so much difference between an overloaded ship and an overloaded economic structure. In October, 1929 there were heavy producers' inventories in copper, oil, wheat, cotton, rubber, leather, coffee, sugar, also in automobiles, radios and many other lines; there was an overload in capital expansion, a gorging of credit and an inflation of prices. Under such conditions business men faced the same necessity as the master of an overloaded ship caught in a heavy sea. Something had to be jettisoned—some of the cargo had to be thrown overboard.

When the economic boat began to list passengers became panic stricken. Billions in stock values were thrown

overboard; up and down the village and city main streets, merchants had to jettison stocks of goods; producers slashed prices, many debtors were forced to throw their credit obligations into bankruptcy.

It is serious enough to lose profits; it is a calamity to see investments swept away; it is tragic when the storm carries human beings overboard. Several million men have been added to the unemployment list; even thousands of executives have been turned adrift. However, operating costs had to be reduced. The ship had to be lightened if it were to reach port.

Such is the folly of disregarding load limits. Such are the penalties that must be paid by an entire nation and even by an entire world for disregarding simple economic laws. However, this same sturdy old business ship has proved its seaworthiness in many a past economic storm. There are strong hands at the helm, slowly but surely the ship is being righted. Speed is being resumed and in the not distant future the prosperity ship will make port.

"An institution is but the

# How Men Become

**D**ID you ever begin a short story or an article in which you read every word? You may be able to remember four or five such literary and journalistic gems in which a word, a sentence or a paragraph "skipped" or "jumped" seriously detracted from the unity, continuity and perfection of the piece.

But when you are asked, "Did you ever begin a book in which you read every word?", your answer will probably be — "No". Most people read

books in "hop-skip-and-jump" fashion — hitting the high spots of exposition, narration and description and omitting the supplementary delineations and depictions. An eminent book critic and reviewer told me that of the eighty-one hundred books he has read for professional purposes there have been *only three* in which he has read every word.

*And these three were biographies!* The greatest stories that have been told are biographies. Greek and Roman mythologies are largely biographical; the legends of the American Indian, the sagas of the Norsemen, the traditions of the Orient revolve about biographical focal points.

Biography is the window through which you may look upon the panorama of a great life that has been or is, and as a result of the looking, see a pattern and plan that will help you more effectively to make yourself what you want to be. Biography fascinates! Biography teaches!

The step-child of biography is the so-called "popularized success story". And like most step-children it is generally misunderstood. How often one hears the statement: "Success stories are hoey" — "Success articles are a lot of bunk."

A few months ago an international oil magnate was in New York. I called at his hotel of residence, and was admitted to the parlor where I told his secretary that I wanted to get the real story of his chief's success. "He is not in favor of these so-called success stories that are so popular in the United States", the secretary answered, "and there is no possible chance to get an interview with him."

"That is not the reason why I am giving no interviews while I am in the

hands with me. "Success to so many people in the United States isn't something that will come by and by, it isn't something they will naturally grow into as they get older. They do not wait for seniority to bring recognition and position. Success is a definite, concrete objective that they go out after and get — without waiting. They put sportsmanship and drama into their success venture. They make it a game. And if they have *certain qualifications and do certain things in a certain way* they will get success early in life and in large packages. Now the reason why I am not giving an interview. . . ."

Isn't it rather astounding that this internationally known business man and financier who has never been interviewed and who has the reputation of not believing in success stories should say, "If they have *certain qualifications and do certain things in a certain way* they will get success?"

*It is these certain qualifications and doing certain things in certain ways that make men what they want to be.* What are these certain qualifications? These certain things? These certain ways? To answer these questions carefully, truthfully, conservatively and yet inspirationally, CREDIT MONTHLY begins in this issue a series of articles on great pioneers in American business and industry.

Emerson said, "An institution is but the lengthened shadow of a single

man." The great business and industrial pioneers who are co-operating in this endeavor are men who conform to this definition of Emerson's. They have pioneered and developed their United States", the international oil man said, coming forward to shake

CREDIT MONTHLY



lengthened shadow of a single man"

# What They Want to Be!

ideas and objectives into vast, intricate enterprises that loom in magnificent proportions above the business and industrial horizons. They have grown from men into institutions!

Not long ago I asked a business leader to what he attributed his success. "To work—good, hard work," he answered, with a gesture of finality. Not content to dismiss the subject so lightly I answered, "Yes, but there are thousands, even millions, who have devoted their entire lives to 'work—good, hard work', and yet they are no farther today than when they started."

"Well, of course there are other things", he began, and after fifteen minutes' analysis, he isolated, for the first time in his life, very specific and definite methods and qualifications that had helped him to become a multi-millionaire.

Julius Rosenwald, Chairman of the Board, Sears Roebuck and Company, and one of the wealthiest men in the

which will be one of this series.

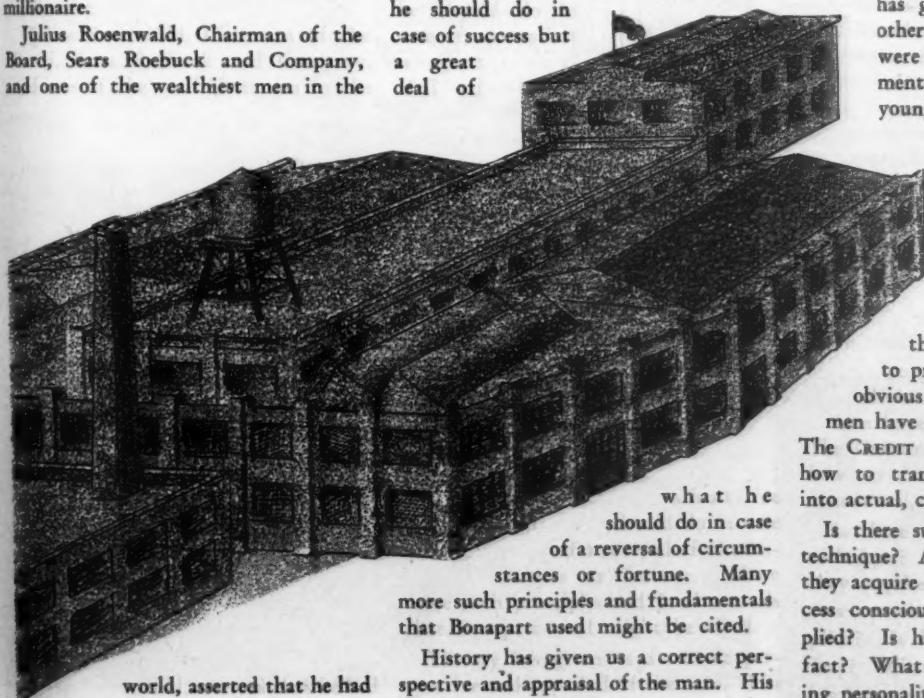
Probably more biographies have been written about Napoleon than any other man. Interpretations of his character, his motives and his ambitions vary according to the personal convictions and prejudices of the biographer, but invariably each biography presents several fundamental qualifications and certain ways of doing certain things.

Napoleon used his success methods consciously. He saw where a particular matter hinged, threw himself on the precise point of resistance, and slighted all other considerations. Napoleon is history's master of concentrated effort and action. He approached every task and problem with this psychology, "I see only the object—the obstacle must give way." Throughout his life Bonapart thought little of what he should do in case of success but a great deal of

How can these principles be used concretely and effectively today? The president of one of our great public utility companies developed a strong case of hero worship of Napoleon when he was a boy. His room was decorated with pictures and small statues of Napoleon. Several of Bonapart's pithy statements were made into framed mottoes. When he became twenty-two, he devised "Twelve Rules of Success" based upon Napoleons' life. Whenever he faced a problem or a job he would go over these twelve rules, select those that pertained to the case before him and direct his action according to these rules. Gradually he absorbed these principles to the extent that he used them unconsciously. Even in the face of handicaps that would keep most men on the bottom rungs of the ladder he has gone up and up. While others read about Napoleon, were inspired by his achievements and magnetism, this young man analyzed Napoleon's life on a common sense basis and deduced actual, working principles that have helped him to become a great utility company president.

Men become what they want to be by putting to practical purposes the very obvious fundamentals that other men have used in attaining success. The CREDIT MONTHLY series will tell how to translate these fundamentals into actual, concrete results.

Is there such a thing as a success technique? Are men born with it or do they acquire it? Are the laws of success consciously or unconsciously applied? Is hard work a theory or a fact? What is the secret of dramatizing personality? What one great fundamental of success is found in every successful man? These are a few of the questions that will be answered by the CREDIT MONTHLY series on pioneers in American business and industry, the first article of which begins on the next page.



what he should do in case of a reversal of circumstances or fortune. Many more such principles and fundamentals that Bonapart used might be cited.

History has given us a correct perspective and appraisal of the man. His qualifications and certain ways of doing certain things stand out in bolder relief than would the same things in a living man. These principles, applied to military and political problems of the eighteenth and nineteenth centuries, are just as applicable to business problems of today.

world, asserted that he had gained his wealth and reached his position almost entirely because of "luck, fortuitous opportunities and chance". But as we delved into the actual data and conditions many remarkable and illuminating facts were revealed. What these facts are will be told in the article on Mr. Rosenwald

SEPTEMBER, 1930



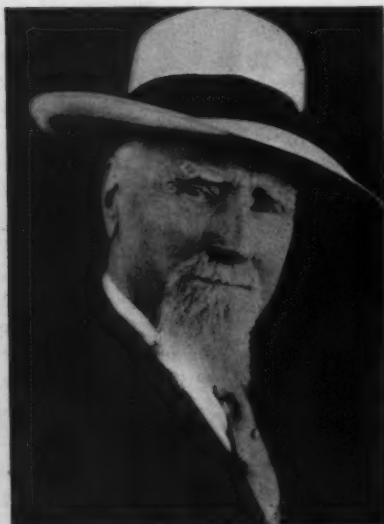
Captain Robert Dollar is known as "The Grand Old Man of the World." This article tells the inside fact story of that remarkable eighty-six year old pioneer of American lumbering, business and commerce.



**O**NE hundred cents make a dollar and common sense has made a Dollar. An unusual endowment of common sense is the chief attribute that has made Captain Robert Dollar one of the great characters in the dynamic drama of American business, industry and trade.

If you ask Captain Dollar what principles have helped him reach his almost unprecedented degree of success, he will tell you frankly the very definite ideas he has had about living a full and successful life. Captain Dollar's achievements cannot be analyzed deductively; that is, from an accepted general principle of success you cannot draw specific conclusions. His life must be examined inductively, which process requires the reaching of general con-

Captain Robert Dollar . . . "held as a virtual deity by the Chinese."



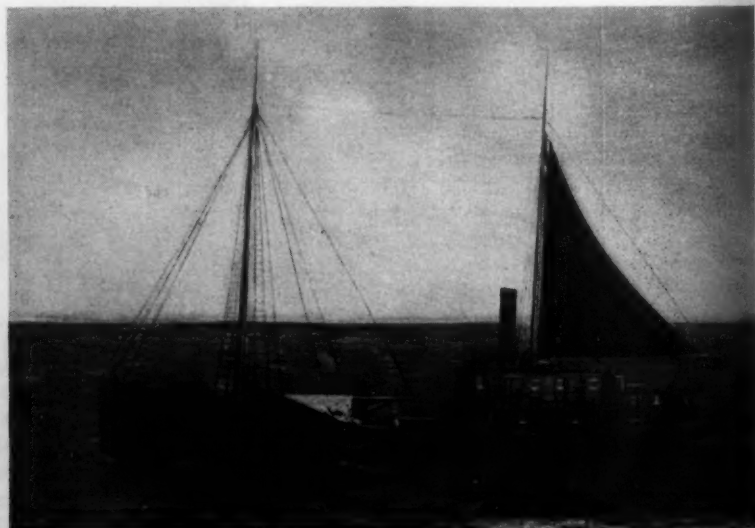
clusions from specific and particular tasks, experiences and accomplishments.

It is a difficult undertaking to compress into a twenty-five hundred or three thousand word article even a summary of the life and attainments of Captain Dollar. Of the thirty-eight outstanding national and international leaders I have interviewed in the past three years, Captain Dollar is the only one to answer every question and to give me more in each case than I asked for.

He is now entering his eighty-seventh year. He started work on his first real job when he was twelve years old, working in a lathe shop. "I was not tall enough to work as a lathe helper so I had to stand on a box," Captain Dollar said as he commented on his early experiences.

Every day of his three-quarters of a century of work—for he has never been out of a job in these seventy-five years—has been replete with experiences and responsibilities. At the age most

In 1891 only one ship, the "News Boy."



men are ready to retire Captain Dollar was actively engaged in his greatest and most successful work.

"Why haven't you retired?" I asked. "The countless times I have been asked that question," the genial octogenarian replied with a smile. "Retirement seems to be a habit of thought. It is a custom for most men to look forward to spending the latter years of their lives in retirement. I could never understand such a philosophy. If I should quit work now, I would die. I prefer to work until the end—not quit and hasten the end. You might as well ask a man who has lived a life of comparative ease to begin work at eighty-six as ask me to retire at the same age after I have lived a life of work."

Captain Robert Dollar—where is the living man to match him? Search the archives of commercial history or of biography and find a man who has done so many things and done them so well; a man who single-handed has averted a war between this country and a foreign power, as Captain Dollar did between Japan and the United States; a man whose name as a commercial symbol has

# Dollar's good will



BY  
CHESTER H. McCALL

been seen in more places and by more people on the globe than any other name; a man who doubtless has made the greatest personal contribution to the advancement of American commerce and foreign trade, at the same time endearing his name to the hearts of a foreign people who have been naturally suspicious and distrustful of the American foreign trader.

Ichang, Colombo, Hugli, Geelong, Barabodoer, Tsao Chau, Tungchow, Parasacken, Zamboanga—queer names of strange places that most of us have never heard before. Yet they are as familiar to Captain Dollar as Portland, Miami, Buffalo and Des Moines are to us. He has made thirty-five voyages to China and Japan and five around-the-world journeys. And these have been business trips—not pleasure trips. In a recent letter Captain Dollar informs me that on September 12 he and Mrs. Dollar are leaving for Japan, China and the Philippines on another trip. This is a strictly business trip which Captain Dollar is making to promote foreign trade.

As Captain Dollar told me of the nature and extent of his travels, he reached over and took a book from his desk, giving me accurate facts that he had started to approximate: "In 1921, for example, Mrs. Dollar and I traveled 10,450 miles by rail and 22,090 miles by water, a total of 32,540 miles. This was an average of nearly 90 miles a day for an entire year. And every day was as well-filled with duties and plans as any regular business day at the office."

"I see here on the opposite page a few figures about our ships. In December, 1891, I had only one ship, the steamer 'Newsboy' of 260 net registered tons. In December, 1921, the fleet had grown to 13 steamers with a deadweight capacity of 89,918 tons and 10 sailing vessels of 44,120 tons capacity. This unusually large increase in private fleet ownership was the result of the growth and demands of our own business." And today, in addition to a correspondingly large increase in freight and cargo ships since 1921, Captain Dollar owns nineteen passenger ships named after nineteen presidents.

Two towns have been named after Captain Dollar—Dollarville, Michigan, and Dollarton, British Columbia. There are parks and schools named for him in Europe and the Orient. Dollar buildings are conspicuous in virtually every seaport of importance in the world.

Today in addition to freight and cargo ships . . . 19 passenger ships

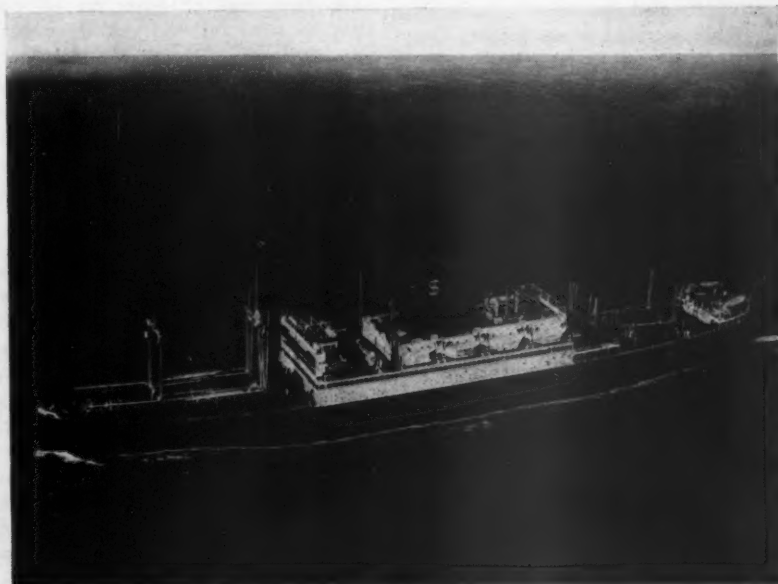


By Ewing Galloway



"You might as well ask a man who has lived a life of ease to begin work at eighty-six as to ask me to retire."

"A debt, what a man owes and does not have the resources to liquidate. Credit, an obligation a man can meet in a sound manner."



ll ds dollars

The name "Dollar" is a medium of good-will exchange that has never fluctuated but has grown steadily in value for over forty years. No man has done so much to create and maintain good-will with the Orient as Captain Dollar. Mr. T. H. Lowry, China representative of the Ford Motor Car Company, made this illuminating statement: "Captain Dollar gets the greatest tributes to a foreigner I have ever witnessed in China. Dollar's agents are not molested or harmed, and his property is saved from the ravages of warring factions. He is held as a virtual deity by the Chinese." And Viscount Shibasawa, probably the greatest commercial power in Japan, affectionately calls his friend Captain Dollar "The Grand Old Man of the World." Robert Dollar, imposing reputation that he has in the United States, is better known in Europe and the Orient than in his own country.

### "Grand Old Man of the World"

This "Grand Old Man of the World" is also the inspiration of Peter B. Kyne's famous Cappy Ricks stories. There is real drama in the humble beginnings of this man of international reputation and monumental achievements who started his working career in America in 1861 as a chore boy in a Canadian lumber camp at the munificent sum of ten dollars per month.

"Our food stores in the lumber camp," Captain Dollar told me, "consisted of fat salt pork in barrels, flour and peas. A few years after I started beans were added to the list. Tea was supplied to anyone who wished to pay \$1.00 a month for it."

While working in the lumber camps in 1866, young Dollar started keeping a diary, which he has continued without a break up to the present. He remained in the lumber business in Canada for twenty-one years, advancing through jobs of cook, lumberjack and foreman to the owner of his own business. In 1882 he transferred his timber operations to Michigan, getting out fine, large timber for the English market. The severe cold weather began to affect his health so Captain Dollar during several winters made trips to the warm, sunny climate of California.

In 1888 the Dollar family moved to California, choosing a home in San Rafael and establishing business headquarters in San Francisco. It took four years to close his business in Michigan and sell his twenty thousand acres of land so it was not until 1893 that Cap-

tain Dollar began his lumber business on the coast. During the rapid development and expansion of his business Captain Dollar found it very difficult to get vessels to carry his lumber, so he decided to buy his own ships, the first investment being in the little steamer "Newsboy". And from the "Newsboy", bought over forty years ago, has grown the largest and best known individually owned fleet of vessels in the world.

"One of the closest calls I have ever had," Captain Dollar said, reminiscently, "was in my first steamer 'Newsboy'. When we arrived off the wharf at Usal it was very rough, the waves breaking outside the wharf, making a landing impossible. We kept out at sea all night and the next morning approached the shore to find that the wharf had been totally destroyed during the night. I then decided we would go to Fort Bragg and endeavor to get a cargo there. A signal was run up on shore telling us not to attempt to make port. Later in the day the sea moderated and a signal was run up that we might try it. As we came close to the harbor entrance a terrific sea was breaking on the reef, and a strong current swept us on to the reef with a tremendous impact. The next falling mountain of water carried the 'Newsboy' over, smashing in the doors and windows. It seemed only a question of moments until the ship would be dashed to pieces. Suddenly we saw a gigantic wave approaching, which we felt sure would end the ship and the crew. Every one of us took a firm hold of some part of the ship to keep from being washed overboard as the wave broke over us. The great wall of water hit us, but was so powerful and onrushing that it lifted the 'Newsboy' completely over the reef, landing us in the comparatively still water of the harbor and miraculously saving both ship and crew."

### At Work Before Nine O'Clock

Captain Dollar still comes to work long before nine in the morning as he did when he first established his business in California in 1888. Mr. Dibbern, who accompanied me on the interview, and I were ushered into Captain Dollar's office at nine-twenty in the morning. He had cleared away the most important work of the forenoon and was ready to talk until ten o'clock when he had to attend a scheduled meeting. At exactly two minutes before ten Captain Dollar left us in his office while

he went to the meeting. Mr. Dibbern and I talked of the extraordinary mental vigor of Captain Dollar and of the perspicuity of his faculties.

"I have never come in contact with any three men who together had such a vast store of knowledge," Mr. Dibbern said.

"He has a store of wisdom—besides his knowledge," was my answer.

In a surprisingly short time Captain Dollar returned from the conference. "The problems were disposed of just as quickly as in the younger days," he said, smiling, and sat down to continue our talk.

Although he left Scotland when he was thirteen, Captain Dollar still has that delightful Scotch burr in his talk, and often uses that inimitable Scotch expression "for to"—"for to do that," and "for to get certain results".

One of the first questions I asked Captain Dollar, after he had related some of his earlier experiences was, "What part has credit played in your life work and what are one or two of your unusual credit experiences?"

### Keeping Out of Debt

"Many experiences I went through as a boy and many observations taught me to fear debt. And with one exception, I have always kept out of debt. Credit, however, has been a strong and constructive force in my business work. Many people make the fundamental mistake of considering 'credit' and 'debt' synonymous, when they are not. A debt is something that a man owes and does not readily have the capacity, capital and resources to liquidate. Credit is entirely different, being an obligation that a man assumes but which he can meet and liquidate in an economically sound manner.

"In my use of credit I have always made it a rule to have absolute proof that every credit obligation could be met. For example, when I purchased ships from the United States government I could see every step of the five year payment plan and knew where every cent was coming from. I always work on a credit margin, that is, I have a margin of reserves and values over and above what I figure necessary to meet my credit obligations.

"My one disastrous debt experience came in 1872. I had succeeded in saving some money and in partnership with another man, bought timber on land owned by farmers and started independent operations at Bracebridge, Ontario. Business was booming at that

(Continued on page 38)

# "This Month's Collection Letter"

Dear Mr. Blake:

The other day when I was passing through your town, three of us traveling men were talking about customers. One of them mentioned you and asked what I thought about you. Here is what I said: "That man is as square as they make 'em." I said this in spite of the fact that I knew your account with our house had been owing for more than a year.

I have always judged men by first impressions. My first impression of you was that you are square with a big "S", and I still hold that opinion.

I am writing this to you because I want you to know what I personally think of you. I don't know why you haven't paid but I do know you will pay because I know you are that kind of a man.

Cordially yours,

Beginning with this number, Credit Monthly will present in each issue, "This Month's Collection Letter," which is to be selected from letters submitted as a representative example of an effective or original way in which to write a successful collection letter.

It has been estimated that 1,250,000 letters are written every business day. This would make a belt of letters extending three times around the world. It should be the objective of the credit fraternity to make its share of these 1,250,000 daily business letters the most efficient and effective of any type written. Every Credit Monthly reader is invited to send in any particularly original or effective collection letters that he uses.

**T**HIS Month's Collection Letter was submitted by Mr. John Simon, Correspondence Supervisor, Keystone Steel & Wire Company, Peoria, Illinois. In sending in this letter, Mr. Simon contributed the following comments:

"One of the most interesting and, I believe, the most valuable collection letters that I have ever read was written

by this credit manager who struck upon the idea of writing the letter and signing the salesman's name. This kind of letter is bound to get results. It appeals to a man's dignity and honor, and I am sure if anything will make him reach for his fountain pen and check book a friendly, cordial, sincere and firm appeal of this kind will do the job.

"There is always a danger in having a salesman sign a collection letter because it may impair his effectiveness as a salesman when he calls on the customer again. This letter, however, is written in such a way that the salesman will probably increase the customer's friendliness and good will as a result of the letter.

"Abraham Lincoln, one of the greatest letter writers that ever lived, once made a remark that he never let a letter go until he had bounded it North, bounded it South, bounded it East and bounded it West. In other words, he

made sure that his letters were psychologically right, grammatically correct, simply written, and presented in a dignified and attractive form. On another occasion he said: 'Write so that the simplest can understand, and the others cannot misunderstand.'

"In all letters, and in collection letters in particular, the important thing is not whether the message is plain to you but whether it is plain to the man who receives the letter."

Every collection letter is a sales letter and is probably the most difficult of any sales letter to write. In the choice of collection letters, these points of merit will be kept in mind. You may not want to use the letter in exactly the same form in which it is reproduced, but you will be sure to profit by the effective points illustrated in each of these letters. You may of course be able to change the letter, adapting it directly to your own needs.





**E. G. LEIHY, Credit Manager, Blumauer Frank Drug Company, Portland, Oregon, says that the modern credit executive must be a business engineer, telling how to**

**"L** EIHY, I want to congratulate you on the way you are handling your collections!"

This statement coming straight from the boss sounded fine, but when sometime later he said: "What's wrong, Leihy? Why are the periods of your outstanding accounts increasing, and why are collections slowing up?", this, of course, called for a satisfactory explanation.

That was back in 1911 and I had just been placed at the credit desk. Since my previous experience consisted almost entirely of wholesale auditing, I knew but little of the science of credit management.

As I had always been rather mathematically and statistically minded I devised a chart picture of the collection situation at the end of each month.

To date I have devoted seventeen years to keeping this chart of sales and collections. The straight line on this chart indicates the sales total, while the zigzag line shows the number of days sales on the books. By days sales I mean the exact number of business days represented in uncollected accounts. These figures are obtained by adding the total net sales of each preceding two months and dividing this total by the number of working days in these two months. The result of this division gives the average daily sales during that period. The total amount of accounts, bills and acceptances receivable is then divided by the average daily sales during that period, the result being the actual number of days sales on the books as of that date.

## Chart Your Collections

and make your customers  
better business men through

## Retailer Merchandising Service

I have made pencilled notations between the two lines on the chart to indicate major changes in policy or specific conditions or happenings which might affect collections. These notations have given a logical explanation for every upward or downward trend of the zigzag line.

The terms on which merchandise is sold form one of the strongest controls of the collection line on the chart. When terms are short and discounts inviting, our figure for days sales is attractively low. In December, 1929, for instance, when thirty day terms prevailed, we had 44.5 days sales on our books. But when on the first of January, to counteract the rebound from the stock market crash, we changed our terms to semi-monthly settlements, the line took a sharp downward curve to the low point of 34.0 within only ninety days.

We run, of course, the risk of losing some trade by drawing our credit lines too tight. However, we would rather keep merchandise on our shelves than pile up a total of slow, hard-to-collect

accounts on our books.

In the long run, short terms make of the average retailer a very much better merchandiser. Since he has not accumulated a heavy obligation by the time his bills come due, he is actually much better off than if long terms were available. He learns to buy short, rather than load his shelves with a lot of slow-moving items, and his turnover consequently shows a healthy increase which results in a greater net profit by the end of the year.

In May, 1929, we adopted a very liberal discount policy, both as a self-defense measure against new competition, and also to help retailers who must compete with the strong buying power of chain organizations. We now allow straight 10 per cent. discounts on all patent medicines (which comprise almost 60 per cent. of our gross volume,) this discount applying to the purchase of a single bottle, as well as to a case of any given item.

About 70 per cent. of our customers are now discounting their bills, and of those who fail to take this ad-



vantage, not more than 5 per cent. were in better standing prior to the business depression. The remaining 25 per cent. are practically the same non-discounters as of the past ten years, most of them chronically poor store keepers."

The following illustration will point out the manner in which the zig zag line tells the *how* and *why* of collections.

On December 31, 1929, with but 44 days sales on our books, we had approximately \$218,000 more outstanding in actual dollars and cents than during the same time in 1916, at which time the days sales on the books numbered 58.

If, however, the year 1929 had shown the same number of days sales as 1916, our total outstanding accounts would have amounted to approximately

\$480,000, entailing not only the loss of interest on capital investment that would be accordingly tied up, but the hazard of risk as well, since conditions today require extreme caution with slow-paying customers.

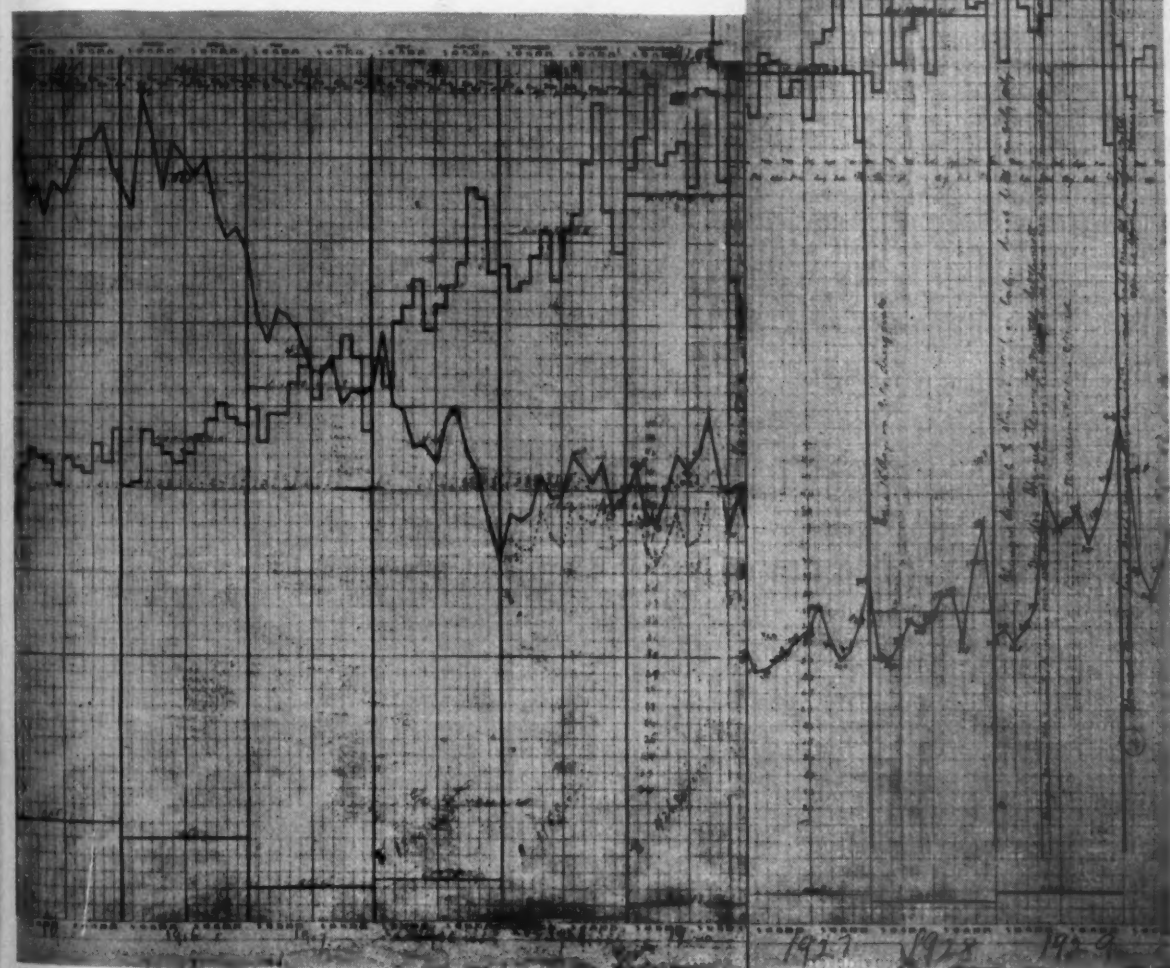
Thus, on the basis of a million dollar volume a year, each additional day's business on the books ties up approximately \$3,300, the interest on which amounts to \$264 annually, demonstrating clearly the savings earned when the number of days sales outstanding is reduced by one-third, as has been our actual experience.

At the end of each year we further tabulate our accounts under five separate headings, the last two of which represent the total per cent. of accounts more than 60 days old. Comparison

of these charts reveals but a slight increase, 9.9% in December, 1929, as compared with 7.3% in December, 1928. But the fact that the figure was 20.5% during the prosperous post-war period of 1921 emphasizes sharply the safety in short term measures.

We now mail out statements twice monthly. Discount dates are the 10th and 25th of each month. In May, 1929, we collected 66 per cent. of our outstanding accounts. During the same period of 1930 this percentage jumped

Two sections of the chart picture of collections and sales which Mr. Leihy has been keeping for seventeen years are reproduced on this page. The first section (reproduced below caption) charts the years 1915-1920. The second section (to right) is a graph of collections and sales for the years 1927-1929. The straight line represents the sales total and the zigzag line the number of days sales on the books.



SEPTEMBER, 1930

## Before—



to 70.5 per cent., which fact the zig zag line indicates as resulting directly from the tightening of restrictions. And though business conditions throughout the country are less favorable now than in many years, our loss ratio has been normal.

As nearly as possible we endeavor to hold our customers to terms, for since the paid up account is the only one in a good position to buy, it is the wholesaler who maintains a firm collection policy who is going to get the business.

Insofar as the granting of credit is concerned, ours is a liberal policy. With but few exceptions we fill all orders sent in by salesmen, and if among them are accounts that in the past have proved unsatisfactory, we put it up to the salesmen themselves to assist in the matter of collection.

This plan has created a strong bond of friendship between our department and the sales department. Orders are rarely turned down, an exception being made in the case of the "dead beat" who does not hesitate to attach a N. S. F. check to an order, in the hope that shipment will be made before the check has passed the clearing house.

Colored stickers of the humorous type prove very effective in stimulating habitually slow accounts. If, however, they do not bring the desired results within a reasonable length of time a personal letter is dictated, next a form letter, and as a stringent measure a telegram is sent.

In order that the carbon copy of every collection letter may remain intact in the general files, we provide an

extra carbon on a different colored sheet of paper to be used solely for follow-up purposes by the credit department, and then destroyed.

Under existing conditions there is only one way to better collection averages in general. The wholesaler cannot go too far in his efforts to *help the retailer sell his merchandise*, for merchandise sold to the retailer is *not really sold until it passes into the hands of the consumer*.

To help the independent retailer combat chain store competition, we have a special window display department, which renders regular service free of

The pictures reproduced on this page give two views of the same drug store—before the Blumauer Frank Drug Company gave the customer the benefit of its merchandising aid service, and after.

This company offers its customers free of charge the services of a business engineer who aids them in rearranging their stores. This rearrangement is, in practically all cases, productive of an increase in sales and profits. Another service feature is the special window display department which provides each customer with a complete window display each week free of charge.

The Blumauer Frank Drug Company believes with many other progressive companies that "the wholesaler cannot go too far in his efforts to help the retailer sell his merchandise, for merchandise sold to the retailer is not really sold until it passes into the hands of the consumer."

## —and After



charge to dealers located in and near the larger cities, providing a complete change of display every week or ten days, according to individual requirements. While all displays of miscellaneous character are made entirely at our own expense, special contracts with some 50 or 60 leading manufacturers take care of all expense attached to the arrangement of specialty trims.

After first checking up the retailer's stock to make sure that there is sufficient merchandise on hand to warrant a special display, our city salesman fills out a form headed, "Request for Win-

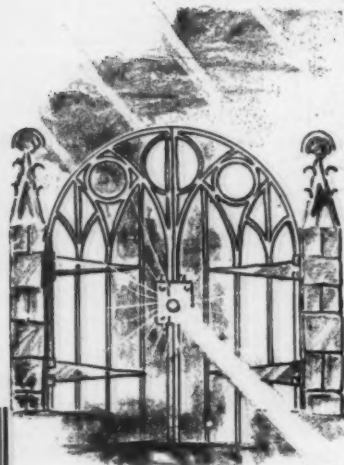
(Continued on page 40)

CREDIT MONTHLY





# Insurance . . . . .



" . . . only by following through can the credit man hope to enter the credit man's paradise."

**BY PERCY H. GOODWIN**

Chairman, Executive Committee, National Association of Insurance Agents

**A** FAVORITE golfing story of a few years ago was tied on to the colorful Bobby Jones, America's great golfer. Bobby, so the story ran, appeared at the gates of the golfers' paradise, where the greens are always perfect, nobody ever forgets to replace a divot or leaves a heel print in traps, the sun always shines and there never is a slow foursome ahead.

He knocked, and St. Peter appeared. Bobby demanded admittance, whereupon St. Peter without a word turned his back and walked away, carrying a pole from which a golf ball was suspended behind his back. Three times Bobby demanded admittance, and three times St. Peter silently walked away, the golf ball still swinging behind his back.

Suddenly a light dawned, and Bobby repeated the beginning of the golfer's catechism: "Keep your eye on the ball and follow through."

The gates swung open, and he followed the Saint inside.

This story seems to me applicable to the Credit Men of this country, in the insurance angle of their business. My experience with them has convinced me that they know more of the technicalities of the insurance business than any one class of business men outside of in-

surance itself. One of their principle functions is to see that their businesses are protected adequately, and, in carrying out this trust, they must have a deep knowledge of insurance fundamentals and practices.

The type of insurance articles published from time to time in CREDIT MONTHLY are of the highest, ranking with the insurance press itself.

In the protection of his company's interests, there can be no question that the high class Credit Man has his eye on the ball, but does he follow through? I am forced to the conclusion that many times he does not.

In explanation I will cite a few instances at random which have come to my attention during the past few years through personal observations and experiences. They represent failures of Credit Men of importance, associated with leading business houses, to furnish full protection for goods sold or moneys loaned.

A number of years ago a man came into my local agency office in San Diego and desired \$100,000 fire insurance on his plant, equipment and merchandise. I had previously solicited this account and had always been advised by the owner that he carried no insurance and would carry no insurance. Therefore, I was very much surprised at his change of heart and asked him a few questions. He frankly stated that he was negotiating for a loan at a bank, the officers of which insisted that his plant be insured. The inspection proved O. K. and the business was written.

About sixty days later this assured came back to the office and desired to cancel his policies. I pointed out to him that they would be cancelled short rate which would cost him money and that insurance was absolutely necessary for the safe conduct of his business. He held out for cancellation and finally stated that he had only bought the policies to show the bank.

Inquiry developed that most of the money borrowed by this assured was still owing to the bank. It seems pre-

posterous that a bank, whose business is credit, would be so short-sighted as not to follow through in such a case and retain possession of the policies. Needless to say the bank's attention was called to the cancellation and the assured was required to carry insurance until his loan was liquidated.

The above example has been duplicated in other instances in my own agency and from personal knowledge and in talking to others, I know it is duplicated many times throughout the country.

Liability insurance might with reason seem to be outside the province of a bank which makes a loan, but one Credit Man and his institution found to their sorrow that it is not. A merchant with a small, though reasonably lucra-



tive trade, borrowed \$7,000 from his local bank. His statement and past reputation warranted the loan although it was somewhat excessive, and nobody under the circumstances could reasonably question the judgment of the man who granted the loan.

It so happened that the merchant was one of those careful automobile drivers who had never had an accident and who failed to recognize any need for automobile insurance. Some time later in driving over the mountains, he lost control of his machine, hit a little car filled to overflowing with a farmer and his family, resulting in the death of two and injuries to the others. Suit was naturally brought and damages obtained. The rest of the story need not be told. The merchant was unable to meet the judgment, was thrown into

CREDIT MONTHLY

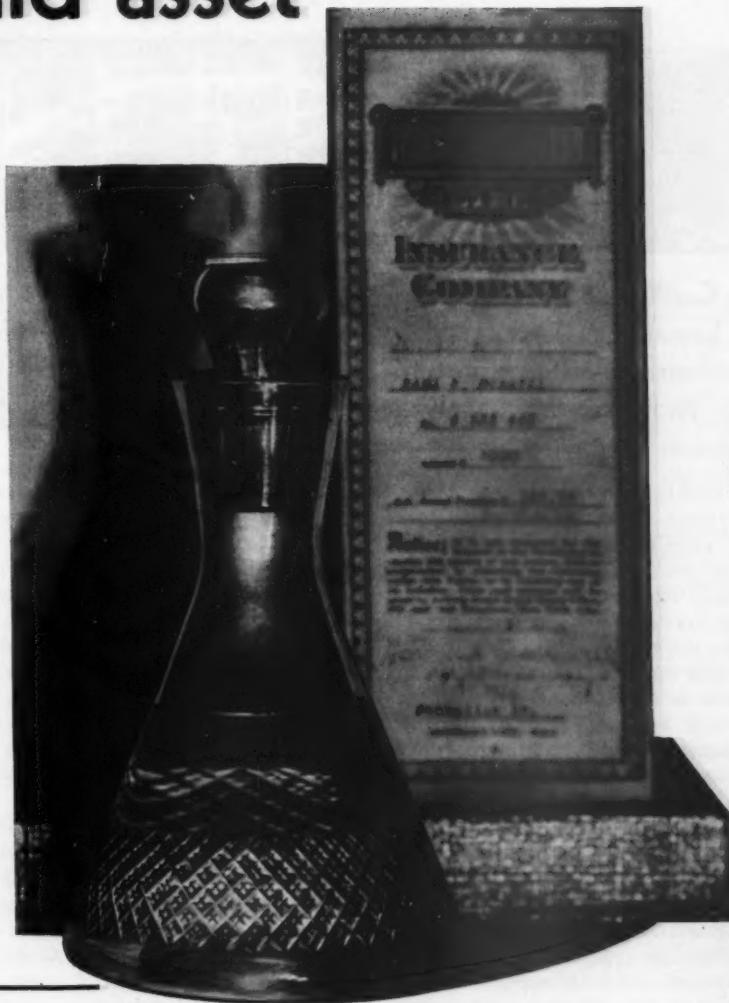


# ... a liquid asset

bankruptcy and the bank could retain only a pro-rata share of his assets to apply on their loan.

In innumerable instances during my experience of the last twenty-five years I have known of banks obtaining information from the prospective borrower as to the amount of fire insurance carried and whether or not the prospect had an automobile, and if so, if he carried insurance. In the majority of cases the prospect advised the amount of insurance carried and in answer to whether liability insurance was carried on his automobile, answered yes. The bank made no effort to verify the facts or to look at the policies to ascertain if the coverage were ample or properly written or whether the companies were acceptable or not. Nor did they make any effort to ascertain if the applicant might later drop his insurance, switch same, or make any change therein. I know the same procedure is being followed by many Credit Men for many large mercantile concerns.

I know of some instances where a merchant has given a Credit Man a detailed list of the insurance carried and later switches this insurance to a cheaper type and after that, begins to let policies drop as they expire and the gentleman handling the credit makes no effort to verify the original information



## Is the Stopper in Place?

given or to keep a check on same to prevent the borrower or obtainer of credit from lapsing his insurance at any time he desires.

A number of years ago a broker on the East Coast ordered a bill of canned goods amounting to many thousands of dollars from a Western Cannery for export shipment. In placing the order he specified the route of shipment, place of shipment and steamship line to carry same and specifically notified the Western factory "not to insure" as he would take care of the marine insurance. The Credit Man for the Western Factory took it for granted that the insurance would be placed and made no effort to verify its placement. The goods were shipped in due time. A severe loss occurred at sea. The broker had apparently forgotten to place the insurance, at least no insurance was in force at the

time of the loss. Considerable litigation resulted between the European buyer and the Western Factory with the result that both sustained a loss which would not have been sustained had the Credit Man for the cannery followed through.

These illustrations are common occurrences. They are cited with no implication that all Credit Men are careless, but rather to show how easily even the careful Credit Man may slip up.

Credit and insurance are closely allied. In both, the human element is paramount. The Credit Man deals in risks. It is for him to determine whether the man who seeks credit from his company is worthy of the confidence he asks to have placed in him.

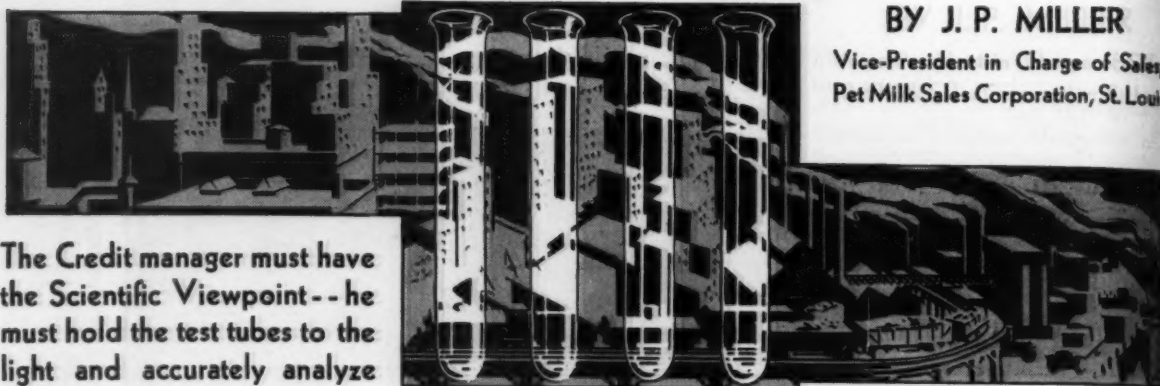
If possible, the man is judged on his record. Have there been any previous dealings with him? What has been the

experience of the past? What is his general reputation? Is he considered honest? Has he ever been in bankruptcy? If so, were there any unsavory circumstances attendant upon his assignment? Was bankruptcy voluntary or was he petitioned into insolvency by a suspicious or exasperated creditor?

If none of these guides to a decision are available to the Credit Man, he must cast about among other sources for the information upon which his findings must be based, for a finding there must be and the basis cannot be mere conjecture. The Credit Man, in a very real sense, is called upon to insure his company against the acceptance of a bad risk. It is his responsibility. It is "up to him" to follow through, to see that his principal is afforded all

(Continued on page 41)

# If I Were Credit Manager



BY J. P. MILLER

Vice-President in Charge of Sales,  
Pet Milk Sales Corporation, St. Louis

**The Credit manager must have the Scientific Viewpoint -- he must hold the test tubes to the light and accurately analyze business.**

**T**HERE is no more popular indoor sport than that of telling the other fellow how to run his business or how to do his job better. It is typically American. It has helped all of us, however, to develop, to a greater extent, the viewpoint of the scientist in regarding ourselves and our jobs. The scientist is interested only in learning the truth. He holds his test tubes to the light and looks at them for what they are. Vanity and pet theories have no place in science. Nor have they any place in modern business. As this scientific viewpoint—this impersonal seeking for the best way to do the job in hand—is more and more applied to business, it will help more and more to develop the men engaged in business.

If I were Credit Manager, I should be proud of my profession and I should want it to be proud of me. I should spare no effort to reach the maximum efficiency commensurate with my ability. I should keep before me always the need for study, research, and the necessity of keeping in touch with constantly changing conditions. I should strive to gain a complete knowledge of my profession and to be outstanding in it.

Then, I should want to know everything possible about the company and the industry in which I was engaged. A man thoroughly trained in the extension of credit, with a broad knowledge of the business of which he is a part, is in a position more intelligently to apply his professional knowledge in a practical way.

Next in importance I should consider the business of my customers. I should want to understand their problems and their objectives and to know enough about their business to enable me better to serve them in a constructive way.

I believe that the Credit Manager who has not majored in his profession, who does not have a knowledge of his business, and also that of his customers, is not able to do the job that needs to be done in modern business. No Credit Manager can help his customers to make more money—to be more successful; no Credit Manager can merit their respect; no Credit Manager can speak with authority, unless he has mastered his profession, his business, and that of his customers.

I often have heard Credit Managers emphasize the fact that a sale is not completed until the money is collected. There can be but one opinion as to the soundness of that statement. Proceeding on that theory, the modern Credit Department, as we know it today, should be regarded as performing an important part of the function of marketing. The Credit Department should be just as much concerned with marketing as the Sales Department and should share with it the responsibility for the marketing progress of its company.

If I were Credit Manager, I should feel that way about my job and my department. I should recognize the need for having a complete knowledge of merchandising, of markets, salesmen and customers. I should keep before me the fact that the success of my company—its ability to meet competitive conditions and to increase its sales—depended upon the efficiency of the two major departments engaged in the marketing of its product—the Sales Department and the Credit Department—and I'd make it my business to see that the Credit Department assumed its share of that responsibility.

Those of us who are engaged in the selling of merchandise have long recog-

nized the need for intelligent selection in our work. The principle of selective selling is nothing other than the application of common sense to selling. It applies not only to men, but also to markets and to customers. It seems to me that it is equally as necessary in the extension of credit as in sales work.

If I were Credit Manager, I should strive to know enough about the salesmen who represent my company, its markets, its customers, its merchandising objective and the competitive conditions which it faces so that I could exercise intelligent selection in my work. I do not suggest that any Credit Manager should permit sales objectives or competitive conditions to interfere with sound thinking. I firmly believe, however, that instead of leveling every situation to a common denominator and viewing it in the abstract, it is possible for a Credit Manager to be so well informed as to the over-all objective of his company that he can bring into play the principle of selective credit granting, to the point that his company can more nearly reach its goal. This requires knowledge, skill and experience. It requires a man trained in his profession, and capable of applying this professional knowledge in a practical way to his business. It requires a man who has the balance of a clear thinker plus the aggressiveness of a keen merchandiser. A Credit Manager not only should feel that he is on the firing line as much as is anyone on the sales force, but also that he is contributing both to the marketing and financial success of his company. He should be able to take on and reflect a share of the drive and the enthusiasm that enables men and organizations to do things.

(Continued on page 43)

# The Benefits of Budgetary Control

BY F. RICHMOND FLETCHER

Partner, Scovell, Wellington & Co.  
Boston, Mass.

**T**HE development of budgetary control is, in my opinion, the outstanding improvement in business management during recent years. Successful management is dependent on a real knowledge of facts and conditions; and nothing provides this information in such useful and usable form as does budgetary control.

The reason for this is simply that actual facts, as a mere record of what has already happened, do not constitute the best guide to profitable operation. The very word "guide" connotes a planned progress toward a definite goal, with continuous checking of the deviations from the expected line of advancement. In other words, actual facts need to be compared with predetermined facts, with real guidance toward the desired results depending upon the proper handling of the variances thus indicated.

Budgetary control is simply the development of estimating for all phases of business management, and the proper interpretation and use of the resulting comparisons. Because of the great amount of material written about budgetary control, one might think that the fundamental simplicity of budget construction would be clearly understood by all executives, and that they would all be eagerly co-operating in budget work in their own business.

As a matter of fact, many executives who feel well acquainted with the theory of the subject have failed to see how the budget idea could be applied to their own business; some have even felt that their business is so intrinsically different that an attempt to install budgetary control would prove futile. This attitude of mind results from a lack of proper understanding as to what is necessary to start a budget system, and as to what definite benefits are obtainable in any organization, large or small.

According to these executives, for instance, conditions change so rapidly in their business that any budget will be so greatly at variance with the actual results as to be meaningless. The fact is that proper foresight in any business minimizes the harmful effect of changing conditions—even utilizes antici-

pated changes to the benefit of the business. Although unexpected violent fluctuations come to pass, how much more quickly they can be appreciated and changes in policies made to correspond (with resultant savings in inventories and production costs), if a budget plan is in operation, and the differences between expectations and actual results are forcibly brought to the attention of the executives each month. *Fluctuations are reasons for budgets—not reasons against them.*

Moreover, we are often told that the company has not kept sufficient records, and the necessary data for a budget is not available. We usually find, however, that there is much more information available, in the hands of departments or individuals, than the chief executives realize is in existence. In a large number of cases in which we have been employed to install budget plans for our clients, the bulk of the requisite data was already available but was not recognized as such, and no one understood how to bring it together.

Even if the data is not as complete as we would desire, a start can always be made with what there is. The results for the first year will naturally not be as close to expectations as would be the case if the original information were better, but executives are always surprised with the success of this first year even from meager data, and each year thereafter the budget becomes more accurate in forecasting results. Perfection the first year is not possible under any circumstances. The impor-

tant thing is to make a start. Improvement will always follow.

The development of a comprehensive budget involves the determination of the following factors:

- 1 The budgetary period.
- 2 The minimum profit which is considered essential in view of the capital invested and the hazards involved.
- 3 The volume of sales, both as to quantity and cash value, which may be reasonably anticipated in view of economic conditions existing and sales effort to be put forth.
- 4 The selling and administrative cost of the anticipated volume of sales.
- 5 The production cost of the anticipated sales.
- 6 The additional financing, if any, which will be necessary to execute the anticipated sales and production programs, including the cost of possible additional plant facilities.

When these six basic factors have been determined, a tentative budget for the period selected should be prepared, predicated upon the sales, cost and financial estimates included in factors 3 to 6. This budget will show the resultant profit, the amount available for plant improvements, dividends, etc., and should include a balance sheet as at the end of the budgetary period.

This tentative budget may then be reconsidered in the light of the minimum profit considered essential (factor 2), and a final budget prepared modifying the tentative program as desired, especially in regard to the volume of sales and unit selling prices, so as to give effect to managerial policies determined after careful study of all pre-

## ● CREDIT AND AUDIT MANAGEMENT

This is the third of a series of articles designed to help the executive work out the fundamental management problems of his organization. The first two articles discussed "Turn-over" and the "Profit Vanishing Point in Accounts Receivable." In this article, Mr. Fletcher, an expert in budgetary control, shows the advantages of "planning your work and working your plan."



liminary budget data. The final budget is then to be broken down into monthly periods so as to permit frequent comparison with actual operating results.

As all heads of departments, superintendents and foremen are consulted in the determination of the basic factors under their control from which the budget is evolved, responsibility for any marked deviations in actual performance from the budget forecast, not caused by unusual and unforeseeable economic conditions, can be logically fixed upon the department concerned. Knowing this to be so, everyone in the organization is keenly interested in seeing to it that his department, at least, lives up to its program, and a fine spirit of competition and emulation among the various departments is thus developed.

If material deviations of operating results from the budget forecasts develop, revision of the estimates for the remainder of the budgetary period is often necessary. While it is, of course, no easy matter to quickly curtail or expand a production program, if the actual orders received differ from the anticipated sales, experience shows that the necessary change in factory production orders can be made, or the sales program modified to keep pace with the production program, and the budget revised accordingly.

It is, in fact, the definite charting of these deviations in actual results from those anticipated, made possible by the adoption of the budget plan, that is invaluable to management in fixing responsibility, in measuring efficiency, and in making timely changes in business policies so that an even flow of production may be maintained without the piling up of unnecessary and costly inventories and the uneconomical outlay of capital.

From our experience in a wide variety of industries, we are convinced that a budget plan is absolutely necessary for proper managerial control, and that its installation invariably results in many benefits.

Let me tell you what one textile company has found out during the first year of budgetary control. For example, its sales budget was founded upon its belief (of long standing) that the jobbers' price represented the average price received by the company for goods. Early in the year, however, the company discovered that, although

**Read about the experience of a Textile house that put budgetary control to the test and discovered some amazing conditions in its business. The story has a moral for every executive.**

■ ■ ■

the yardage sold agreed very nearly with the estimates, the profits were less than those predicted by the budget. The company is now taking steps to find out what percentage of the jobber's price represents its average return upon merchandise sold; and although it may be unable to correct the present condition by increasing the selling price, it undoubtedly can cut its costs by various means to provide a satisfactory margin of profit.

At the end of the first half-year the company learned some vital facts about its inventories. The total inventories of finished goods had been carefully scheduled in the budget to equalize production with sales throughout the year. This called for a considerable increase in the total inventory of finished goods at the mid-year period, and the actual inventories at that time closely approximated the amount set forth in the budget. Notwithstanding this, the company was unable to make prompt deliveries on the majority of its orders. The resulting investigation showed up many difficulties, the solution of which will undoubtedly add greatly to its profits in the future.

The company discovered first that the increase in the inventories was almost entirely in the slow-selling patterns and grades. In all cases the inventories were disproportionately large in the patterns which sell in the smallest quantities. This condition resulted from a combination of two factors: the large number of patterns of each grade, and the disproportionately large quantities required for economical manufacture in the various processes.

It was found, for example, that in a grade containing twenty patterns the

■ ■ ■

**Many executives contend that rapidly changing conditions make budgetary control inaccurate and of little value. Answering this statement, Mr. Fletcher says, "Fluctuations are reasons for budgets—not reasons against them."**

company should make not less than sixty-two of each (the economical quantity should be at least 125). This represented 1,240 items, although a year's sale in that grade might not be more than 600. Naturally, in the ordinary course of business, some of these patterns would be dropped each season to be re-

placed by new ones; and the stock still on hand in the discontinued lines would consist only of odd patterns, for the popular ones would usually be sold out before the end of the season. The left-over stock, therefore, would be difficult to sell even at bargain prices, for dealers could buy only unbalanced stocks in the discontinued lines.

With these facts in mind, the company made careful studies of the proportionate quantities of each pattern in each grade which are demanded by the normal market. The normal order quantities on the mill will be adjusted to these proportions as far as possible. Whenever the minimum quantity which can be manufactured is in excess of the proportionate quantity required, this condition will be met by listing a smaller proportion of those patterns. Such changes in policy will be made as rapidly as the present inventory condition and the semi-annual changes in the line make possible. The desired changes cannot be made all at once; but—this is the vital point—the company now has real knowledge about the problem of inactive stock.

Furthermore, as a result of an investigation into the costs of loom changing on some grades, the company discovered that the number of patterns carried in many grades was not in proportion to the total sales of those grades. The number of patterns carried, multiplied by the minimum quantity which could be made up, represented more than the average sales for one season, whereas the turn-over should be from five to ten times a year, depending on the process involved in manufacture. Now the styling departments have been given a schedule of the number of patterns they may list in each stock line, the variety of styles being apportioned according to the volume of sales in particular lines. The result will be lower costs due to larger quantities, and greater inventory turnover.

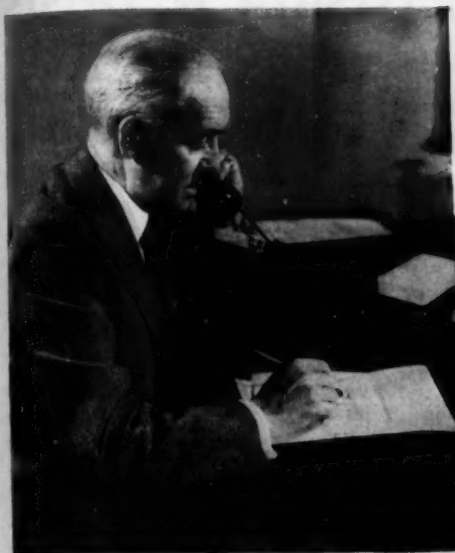
In regard to the prompt showing up of departmental weaknesses, the company makes the following comment:

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CREDIT MONTHLY

# Yes! The Banker Will Answer Your Credit Inquiry

« « IF » »



**BY J. N. EATON**  
Vice-President, Merchants  
National Bank, Boston



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FROM time to time the relationship between banker and commercial credit man in regard to the freedom and completeness of the interchange of credit information is a subject of caustic criticism. Many a commercial credit man suggests that he does not receive the co-operation he is entitled to from the banker credit man. To either the cause may seem self evident and either may consider his own attitude the correct one. Quite naturally the commercial credit man in need of real assistance in arriving at a reasonable credit decision feels that the banker does not function completely when the maximum of information is not received. Unfortunately he may not appreciate the problem presented to the banker by the vast majority of inquiries he receives.

In February of 1916 the Robert Morris Associates adopted a code of credit department ethics. Some of the declarations contained in this code were drawn to cover the exchange of information between credit men. Although it was the exchange of information between bank credit men that the framers of these principles had in mind, they apply with equal force to communications between the commercial credit man and the banker. They express certain principles that bear significantly

on the subject of this article and their presentation and discussion may do much to help the thinking credit man to establish himself in such a way as to secure for himself the fullest logical co-operation from any other credit man and the bank credit man.

*"Indiscriminate revision of files, when there is no real need of information, is unnecessary, wasteful and undesirable."*

There are some credit men who seem to consider the number and thickness of their credit folders the measure of goodness. In order that there may be no forgetfulness such men institute some sort of a tickler system by the reminder of which they check and re-check names at stated intervals. If for example they have checked a name in May originally, they check it again at least every succeeding May. There are many instances in which a name has been so checked for three years after the information has been given that the subject has been through bankruptcy and is out of business.

While tickler systems are excellent as reminders they should be used as a reminder to the credit man with the account to suggest to him that he should investigate as to whether he is

still interested in the subject. He should investigate within his own records first to observe what information he has and whether he is in real need of more information. Inquiries should not be sent out by an office boy or stenographer subject only to the dictates of a tickler.

*"Every letter of inquiry should indicate in some definite and conspicuous manner the object and scope of the inquiry."*

Inquiries couched in general terms should not be expected to bring more than generalizations as replies. An inquiry should be specific. If the credit involved is \$500. that fact should be stated. It is quite possible that a certain subject may be considered perfectly good for \$500., not so good for \$1,000., and that a credit for \$2,000. would be grossly excessive. When no limit and no terms are mentioned the recipient of the inquiry has little to go on and so retires into generalities. After all why should he exercise more effort than the writer? If the writer does not know what he wants to know tell him the minimum, in generalities, and let it go at that!

Why is the inquiry sent out anyway?

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■ **CHARLES PRESBREY,**  
President, Frank Presbrey  
Company, advertising agency,  
answers this question:



**I**f arks were extensively used today the model made famous by Noah would be in the greatest demand because its safety has been advertised. His name stamped on a boat would give it a recognized market value and it would be acceptable as collateral for loans. Credit managers and bankers would regard vessels of that known craftsmanship as assets on a balance sheet.

The financial status of Noah's arks, to follow the same corollary, would be as secure as the durability of his product. The reason is simple. Noah's arks would benefit by the extensive and intensive favorable publicity his original vessel received. Other manufacturers would probably be at a disadvantage when offering their boats for sale, or as security, because the satisfactory performance of their product had not been impressed upon the minds of potential ark owners.

Of course the kind of advertising received by Noah is unobtainable today. However, publicity purchased in the form of advertising creates a market value for the products of manufacturers in the same manner that Noah established his ark as a worthy vessel.

It generally depends on the manufacturer just how well his product will be known to the jobber, retail dealer and consumer. The product must first have quality, and then this quality must be impressed upon the minds of potential buyers. When it is known

to the jobber, retailer and consumer then the product has a market value which is a basis for credit.

Advertising, by the various mediums available to the manufacturer, is the surest and quickest way to make known the quality of his product. And until the quality is established the buyer gambles on his judgment in purchasing an unknown product.

Credit managers and bankers are not in the gambling business. When credit is extended to a jobber or merchant there must be no uncertainty as to the payment of the indebtedness. If it becomes necessary for a credit manager or banker to liquidate a business to which credit has been extended he wants the assurance that the products on hand can be sold for enough money to pay the amount due.

If a business is liquidated the advertised merchandise will be sold more quickly and at a higher price because the quality has been established. Therefore, it goes without saying that when a credit manager or banker examines the inventory of a jobber or dealer the point uppermost in his mind is to determine the liquidation value.

If the inventory discloses that a large percentage of the products on hand have a market value and can be easily and quickly liquidated the credit manager or banker generally will not hesitate in extending credit. It is not a gambling proposition.

In many instances, when jobbers and retail dealers own the real estate where their enterprises are situated, credit is based more on the value of the land than on the stocks on hand or the buildings. That situation arises when a credit manager or banker ascertains that the quality of the merchandise is unknown and its sale an uncertainty and that the buildings are of such construction as to make them worthless except for the business for which they were built. Because the merchandise has an uncertain value and the buildings are considered worthless for liquidation purposes, the credit limit of the jobber or retailer is naturally decreased.

I was recently impressed with that fact when I attended a luncheon with a banker. During the meal the value of

## Is Advertising a Basis For Credit?

a well known building was discussed. It cost several million dollars to erect the structure, but it was constructed in such a manner as to make it valueless for any purpose except the original one. The banker, who was conversant with real estate values in the city, when asked his opinion relative to the worth of the property replied that the only value was in the land. He based his statement on the fact that the building could only be used for one purpose and was therefore a negligible quantity, if liquidation were forced. However, advertising made the trade mark of the concern owning the structure known to the world as one standing for quality. So, for credit purposes, in this instance, the combined values of the trade mark and the land offset the worthlessness of the building.

### Fixed Values

Advertised merchandise always has a manufacturer's sale price, which is standardized. Even though the retail price may vary because of chain stores and bargain sales, the advertised products have just as fixed values as gold and silver. If a man possesses a quantity of gold and silver and it becomes necessary for him to sell the metals, he can immediately ascertain the market values and the amount he will receive in a sale. The same holds true for an advertised article that has been established in the market. Such products are sold by jobbers and dealers in all sections of the country. If a business with a stock of advertised goods is liquidated, the creditors can dispose of the stock to other jobbers and dealers at an equitable price.

I have heard it stated that tobacco and cigarettes are more standardized as to price than any other commodity. If it is a fact, to a great extent it is due to advertising, which started back in the days when Indians roamed most of the states in our union. Of course they did not have magazines, newspapers,

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CREDIT MONTHLY



# Economic Factors Affecting Industrial Companies

BY JOHN STEVENSON

Statistician, Kidder, Peabody & Co.,  
New York, Lecturer, New York  
Stock Exchange Institute

THE investor who proposes to invest his funds in the securities of an industrial company is confronted with two major problems. He must not only determine in what industry he will invest, but the particular company in that industry which appears to offer the most desirable medium for investment.

It is a well known maxim that no company can be any stronger than the industry in which it is engaged. Economic factors are constantly changing and industries which were once well situated and prosperous are now poorly regarded and the securities of companies engaged in such industries have not maintained their former sound investment position. It is apparent then, that the careful and discriminating investor should give more than passing thought to the economic position of an industry. Let us examine some of the more important factors which not only affect companies engaged in the various industries, but also affect the value of industrial securities.

Certain industries have advanced to the stage where they play an absolutely indispensable part in our present day industrial civilization. Industries such as steel and automobile manufacturing occupy a well entrenched position in our economic order. Just as the automobile industry superceded the horse and carriage, it is conceivable that in the future some new industry may replace the automobile industry. Such a change, if it did occur, would probably not come about rapidly but would represent a gradual, well defined change similar to the growth of the automobile industry itself. Our whole economic life is in a state of flux and the economic importance of our many industries is relative; but the advantage which an industry of economic importance has over a new, untried industry representing the capitalization of a faddish idea is simply that economically sound industries, while subject to change are not subject to overnight changes or influenced by the continually changing whims and fancies of a capricious public.

I do not, however, wish to have the reader draw the inference that because an industry is of economic importance, it offers a desirable medium for the disposition of investment funds. There are, today, a number of industries—and

no one will deny their economic importance—which offer only mediocre if not unprofitable investment opportunities. Such industries might be suffering from unwarranted and excessive price cutting as a result of highly competitive conditions growing out of the utilization of excess productive capacity.

While with proper co-operation the above factor might be remedied by the

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industry itself, there is another situation that has, at various times in the past, affected different industries and which unfortunately is beyond control of the industry itself. I refer to the fluctuations of the raw material used in the manufacturing process. Probably as good an example as any to illustrate this point is the market conditions of crude rubber. The bulk of the world's crude rubber supply is produced in the Dutch East Indies and in British Malaya. The business depression of 1920-1921 resulted in sharply decreased demands for crude rubber thus resulting in over production and causing abnormally low prices for the commodity. The British Government, in an attempt to bring relief to the industry, put into effect in 1922 a law known as the Stevenson Restriction Act. The purpose of this Act was to stabilize the price of crude rubber between 1s. 3d. (30 cents) and 1s. 6d. (36 cents). Each producer was permitted to export a certain percentage of his assessed productive capacity. Exports in excess of the productive capacity were subject to prohibitive export duties. For a time, the plan succeeded in maintaining crude rubber prices at the stabilization point. However, inability on the part of the British authorities to secure co-operation of the Dutch producers in controlling production was responsible for the annulment of the plan in April 1928 to take effect November, 1928. From an average price of about 39 cents in January 1928 crude rubber dropped to 18 cents in May of the same year. This precipitous drop in price had a serious effect on the profits of automobile tire manufacturers in this country. Practically all manufacturers of automobile tires reported a loss from operations for the first six months of 1928. The effect of the price decline of crude rubber on the profits of automobile tire manufacturers is all the more pronounced when it is considered that in the first six months of 1928 more tires were manufactured than in any corresponding period of a previous year. This illustrates how an industry can be adversely affected by instability in the price of the commodity used in the manufacturing process. Another factor worthy of consideration in judging the value of industrial securities is the age of the industry. Well established in-

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# The Donovan Plan for Bankruptcy Reform

As Interpreted in the West

By F. B. McCOMAS

IN any discussion or consideration of bankruptcy administration throughout the country it must be borne in mind, and perhaps it is advisable to remind the credit men and particularly the younger generation of credit men, that the Bankruptcy Law is essentially their law, and that the underlying principle of all bankruptcy law is a pro rata distribution of an insolvent's assets among all of his creditors; that the creditors are the owners of the assets of bankrupt estates and have the sole financial interest therein, and that the fundamental principle of democracy, of government for the people and by the people, has been carried into our bankruptcy statutes to bring about the administration of bankrupt estates for the creditors and by the creditors. The credit men of the country will view with alarm any infringement of this fundamental principle as they have looked upon all attempts made by some courts in the past to overcome this principle.

During the latter part of March, 1930, Colonel Wm. J. Donovan rendered his report covering the extensive and intensive investigation of abuses in bankruptcy administration, as conducted by him at the instance of three Bar Associations in New York City. As a result of this investigation, twelve attorneys were indicted; one absconded and committed suicide; two pleaded guilty and received jail sentences; one was already serving sentence for subornation of perjury; four other attorneys resigned from the Bar of New York; four others were disbarred; another was censured, and disciplinary action was

taken against other attorneys. The United States auctioneer and two custodians were indicted; a clerk of the Bankruptcy Record Room was dismissed and attempted to commit suicide, and during the progress of investigation one Federal Judge resigned.

Before accepting this list of indictments and disbarments as conclusive proof of corruption and abuses throughout the whole fabric of bankruptcy administrations, it would be well to know what percentage of cases was improperly administered and the relation that these corruptly administered cases bears to the total number of cases. Unfortunately, Colonel Donovan does not disclose in his report the number and the amount involved in the well administered cases. His only comment in this regard is: "There were of course able and conscientious officials and many cases that were well and honestly handled by attorneys."

Without establishing some comparative values as to the extent of the corruption against the total volume of bankruptcy business, credit men will be unable to determine for themselves to what extent any changes in the law and procedure are necessary.

The public press carries almost daily advices of indictments of various individuals for infraction of national banking laws in various parts of the country, certainly to a far greater extent than against the bankrupt laws, and yet there is no cry of public scandal nor movements for fundamental changes in these banking laws. It is to be hoped that the national bankruptcy investigations about to be conducted

by Hon. T. D. Thacher, Solicitor General, in co-operation with the Department of Commerce, will reveal the proportion of incompetently and improperly managed estates to those that are properly administered and the number of officials and lawyers who are regarded as incompetent or unethical as to the total number engaged in the practice of bankruptcy.

The credit men will look forward with the keenest of interest to the result of the country-wide investigation and will feel that it could not be in better hands, as Judge Thacher's experience on the New York Federal Bench and his participation in the Donovan investigation as Presiding Judge will be invaluable in weighing the evidence that can be assembled.

At first glance credit men will wonder how they are concerned in corruption involving the Bench and Bar, but Colonel Donovan ascribes the abuses and corruption which he has uncovered to the break-down of the theory of unlimited creditor control, and has made recommendations for certain amendments to the statutes, far-reaching in effect, which are designed to correct the inefficiency and abuses resulting from this alleged breakdown of the theory of unlimited creditor control. These recommendations are summarized by Colonel Donovan in the April issue of the CREDIT MONTHLY in his article on "The Proposed Revision of the National Bankruptcy Act."

Within a few weeks after the filing of the report by Colonel Donovan, the Bankruptcy Committee of the National Association of Credit Men filed its report, in which that Committee adopted in principle all of the recommendations of Colonel Donovan, although at that time Colonel Donovan's report had not been extensively circulated, nor had the opportunity been given for a full consideration of the report, by the membership of the National Association.

It is indeed fortunate that a vote of the membership of the Association on this important matter did not take place and has been postponed until the Convention next year, thus giving the credit men of the country ample opportunity in which to study these recommendations.

It must be pointed out that the Bankruptcy Committee of the National Association of Credit Men was composed entirely of men from states on the Atlantic Seaboard, from Massachusetts to Maryland only. The Middle West, the South, the West and the Pacific Coast were not represented on

CREDIT MONTHLY

that Committee, and the sentiment of the nation as a whole, as distinguished from that in the section centering on New York City, has not been sounded. It is feared that the Committee could not see, or did not look, beyond the horizon of its own environment.

In reaching his conclusions that the abuses and corruption as disclosed in New York City and involving lawyers principally were due to the breakdown of creditor control Colonel Donovan has referred to the apathy of creditors in managing their estates. It would seem as logical to suggest that any failure in municipal government or the election of corrupt or incompetent public officials is due to the apathy of the citizenry, since the casting of not more than a fifty per cent. of the register vote in general elections is usual and certainly might be taken as an indication of apathetic interest in public affairs. But it would be a great shock to the citizens of any corruptly governed municipality, or for instance to the citizens of Chicago, to learn that because of gangster and racketeer rule they were to be held directly responsible for the break-down of voters' control, and that thereafter such city would be governed by a bureau at Washington and the citizens disfranchised. But it would be a still greater shock to all other municipalities that were free from corruption, where the officials had managed their affairs well and honestly, to be advised that they too were to be brought under such domination.

These two questions will arise in the mind of every credit man: has Colonel Donovan properly interpreted the cause of this corruption and these abuses as disclosed in New York City? What is the reason for the apathy of creditors in bankruptcy administrations, in that center, if such exists? Surely it cannot be said that creditors have no interest in bankruptcy proceedings, or are not interested in the dividends that will be realized from these administrations, inasmuch as they have the sole financial interest therein. They will also examine into the situation as it existed in New York City to determine to what extent the theory of creditor control has broken down, and indeed to what extent creditor control has ever existed in the New York District. Creditor control can only be asserted through the appointment of administrators to liquidate the assets of an estate and by rendering assistance and cooperation to such administrators in bringing about the most expeditious and efficient liquidation of assets.

**A logical solution to the bankruptcy question will only be reached by a careful study of all sides of the question. Mr. McComas discusses the Donovan Bankruptcy Reform Plan as it appertains to the new government investigation. His analysis should interest you. Mr. McComas is the president of the Los Angeles Wholesalers Board of Trade, president of the McComas Dry Goods Company and an ex-president of the National Association of Credit Men.**

It has long been known that creditors have been permitted to assert little if any influence on the liquidation of bankrupt assets in New York City and that the administrations in that city have been almost wholly in the hands of Receivers appointed by the courts, without the aid and advice of creditors, or against such advices, followed by administrative orders covering the sale and liquidation of assets, the auction sales thereof being accomplished by an official auctioneer appointed by the court under a standing rule, before the first meeting of creditors, when creditor control can go into effect.

Mr. Harold Remington, an outstanding authority on Bankruptcy, with eleven years of practical administration of the Bankruptcy Law as Referee at Cleveland, in his excellent article on "American Bankruptcy Laws and Their Administration," in Current History for June, 1929, has this to say in respect to the diminishing influence of creditors in bankruptcy administrations:

"It is almost unbelievable that in many districts the Federal judges have set their faces stonily against any effort to select the creditors' choice to fill this temporary receivership, the attitude of the Federal judges being in effect that it is 'contempt of court' for creditors even to suggest a candidate for the receivership. Yet nothing is plainer than that the bankruptcy law contemplates that creditors should get together for administration of the estate. That is why the law provides for the trustee to be elected by them. So it cannot be true that right administration of bankruptcy law should ignore the organizing of creditors; indeed, it should encourage their organizing and their participating in the selection of the administrative officers."

The credit men of the country may well ask whether it is creditor control that has failed in New York or whether it is court control that has



failed in that city. It is true that creditors were still given the right to elect Trustees at the first meeting of creditors, but as the estates had been administered by the Receivers who were court and not creditors' appointees, there was little left for the Trustee to accomplish in any administration except the distribution of dividends, a matter of more or less routine. Little wonder that creditors there have shown apathy in bankruptcy administration in this one function, and a minor one, left to them.

Colonel Donovan's recommendations include the setting up of a Bankruptcy Commissioner at Washington, with authority to license and supervise Trustees; the appointment by the courts of one of the licensed Trustees in the first instance in all cases, but with creditors still having the right at their first meeting, after the estates are well on their way to administration, to elect another licensed Trustee, and also to elect Inspectors from amongst themselves, to whom will be delegated many of the present important duties and powers of the Referees in Bankruptcy. It is submitted that the appointment of a Bankruptcy Commissioner to function throughout the country will immediately subject bankruptcy administration to political influences. It is doubtful whether the licensing of Trustees, while having many favorable aspects, can be accomplished from Washington with better results than the present approval of the appointment of Trustees by the courts in local communities where the nominees are

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# Should the Salesman Help the Credit

**What is your answer to this question?**

**This symposium will tell you what stand credit executives of nationally known companies take on the securing of credit information by salesmen.**

**H. P. Potter, Credit Manager, Du Pont Viscoloid Company, Arlington, New Jersey** tells how the Du Pont salesmen co-operate:

It is our policy to have the salesman obtain, when soliciting a new account with inadequate rating, such information as is possible without interfering with his chief endeavor, the booking of new business.

Formerly we had an elaborate credit form to be filled out by the salesman when soliciting a new account but we realized that after a salesman had put his prospect through this third-degree there would be but slight possibility of his selling any merchandise. Furthermore it was a hardship for the salesman to compile these reports in addition to sales reports and correspondence.

Now the salesman's work on credit is confined to a request for bank and trade references on new accounts and a notation as to his opinion of the risk based on his observation and local opinion. This information is included in the salesman's reports to the Sales Manager and he is also requested to report any instance where the activities of the Credit Department may have affected the sales situation, favorably or otherwise, and any new development which might change the customer's financial position.

Our salesmen are expected to book all the orders available and then let the Credit Department decide whether the business is desirable. Our salesmen are used for collection work only on disputed matters but when an account is so badly delinquent that further shipments cannot be made the salesman is notified and it is his privilege to assist toward putting the account in good standing again.

**R. Guy Echols, Credit Manager of the American Crayon Company, Sandusky,** answers:

When a salesman fails to send in appropriate credit information when obtaining an initial order, right then he falls short of being a "salesman".

First, a salesman is a field representative of his house. He is not only out to sell merchandise, but to obtain, build up, and maintain, "good will" for his house, and its policies. I believe that if salesmen would stop to realize that their failure to supply essential credit information with initial business is a direct adverse reflection upon them and secondarily upon their house, from then on more careful attention would be given to that phase of a transaction. If credit information is not sent in with initial business, it is a foregone conclusion that the Credit Department will delay such orders until appropriate information is gathered, justifying credit approval, and in most cases, the Credit Department will write back to the customer placing the order, asking for information that will produce a satisfactory credit relationship. The immediate and proper reaction on the part of the customer is that the salesman should have gotten the information when he was on the job. You cannot make anything else out of it.

Some Sales Managers object to the use of special forms for supplying reports of this character, because of the additional burden placed upon salesmen in carrying them around, but this should not prevent the adoption of a policy to obtain credit information through salesmen.

I do not place much value on "picked" references that may be supplied by customers to salesmen on initial business, but prefer that salesmen gather their own references of firms who are interested in the account, tak-

ing such references from merchandise stock on shelves or warehouse floors, as evidenced on packages, cases, etc. in stock, carried by the customer.

We are interested in learning whether the customer is on the job; attentive to business; appears to be aggressive and capable; whether he carries nationally advertised merchandise; whether it is in good condition, and orderly; also, interested in his competition; location; local personal reputation; and, particularly in getting better than ordinary information pertaining to his standing with his banking connections.

We do not use a printed form for this information, but require that it be furnished us in as complete and comprehensive a manner as called for (under the specific circumstances, surrounding the risk) on the reverse side of our original order blank, as sent in by the salesmen.

■ ■ ■ ■ ■

**F. F. Mitchell, Credit Manager, John Bromley & Sons, Inc., Philadelphia,** makes these qualifications:

*Should salesmen be used by credit department in securing credit information?*

If the salesman is qualified by temperament and ability to use good judgment in securing information, then it is a decided advantage and help to the Credit Department, as the salesman in many cases knows the customer and his history, and being on the ground has opportunities for getting direct information by inquiries from local sources.

*Should salesmen be used in collecting past due accounts he has sold?* Just as for the first question, the answer to this question will depend upon the qualifications of the salesmen. Even if the salesman is qualified by temperament to make collections, I would say that in

CREDIT MONTHLY

# Department Secure Credit Information?

Next month another symposium will present significant answers to the question, "Should the salesman help the Credit department in the collection of past due accounts he has sold?"

ordinary cases and under ordinary conditions, he should not be asked to collect accounts. In exceptional cases, where there is a dispute over payment or where the concern is in financial difficulties, it is wise to allow salesmen to help in the collection of the account.

**G. R. Norton, General Manager,  
Eaton, Crane & Pike, San Francisco,**  
says:

I believe in having salesmen secure credit information principally because I believe any and all information obtainable is a help in establishing credit, no matter from what source the information comes. I do not feel that the salesman's information is all that we need nor do I feel that it is always reliable. When a salesman takes an order from a New Account, we require him to accompany the order with an information blank properly filled out, a copy of which is shown. We know of course, that the salesman is naturally optimistic in such matters and is prejudiced in favor of granting credit to a new account. We take this into consideration in using the information he furnishes.

The matter of credit information on established accounts is a little different. Here again we feel the salesman can often secure facts which we cannot get by any other way but these reports will also be prejudiced because he naturally wants to continue to do business with as many accounts as he can. We try to get around this attitude by taking the salesman into our confidence and having him realize with us that the company must make a reasonable profit on every account. We try to have him take a business man's view-point and we think, as a rule, we succeed in this. We have had numerous instances where salesmen helped us materially in avoiding a prospective loss and there is one recent instance on record where the salesman strongly advised the credit manager to

be careful about an account and because the latter did not take the advice a loss of over \$1,000.00 was incurred. We believe, as a rule, that our salesmen endeavor to save us from loss and often succeed in doing so; but it is quite difficult, we find, to have them see our point of view in the matter of slow-paying accounts. We find the average salesman difficult to convince that customers should be made to pay their bills promptly. He is apt to feel that if no actual loss is imminent the company should not be too hard on slow-payers. However, here, too, we have had considerable success with our salesmen in collecting slow-paying accounts. We feel that proper co-operation between the credit manager and the salesman has brought this about and every month there are many instances of checks received from slow-paying accounts through salesmen.

To sum the matter up, we believe the sound policy is to work with the salesman—to have them take the attitude any business man would take toward

his customer and to realize that slow-paying accounts or questionable accounts must be very few indeed, if the company is to succeed and continue to employ him.

I cannot conceive of running the credit end of any business successfully without doing it quite largely through salesmen because it is usually impossible for a man in an office at a desk to learn the customer's particular condition any other way than through the salesman's personal contact. And one thing more, every customer is an individual who reacts to certain appeals. A credit manager cannot succeed in a large way by considering all customers alike, and the individual characteristics of the customers can best be learned through the salesmen and the customer handled accordingly.

**Salesmen of Eaton, Crane & Pike  
send in credit information on the  
form below**

SALESMAN'S CREDIT REPORT			
(Print or Write Plainly)			
Salesman _____		Date _____ 19__	
Name _____		(Inc?) _____	
Trade Name _____			
If Different _____			
Street and Number _____			
City _____		State _____	
Business _____		Years Estab. _____	
Business Location _____			
Appearance of _____			
Store and Stock _____			
Age and Experience _____			
of Owner _____			
REFERENCES			
Name	Street	City	State
I recommend shipping first order under regular terms _____			
Amount Order _____		Remarks _____	

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**W. A. Landers, Controller of Coca Cola Company, Atlanta, reports his viewpoint to Credit Monthly:**

The answer to this question depends largely on the type of business and the average intelligence of the salesmen employed.

We sell to jobbers and retailers, but mainly to jobbers, and have no difficulty, as a rule, in securing ample information from customers, banks, commercial agencies, and other business houses to enable us to make intelligent credit decisions. Our experience has been that the average salesman bungles the job, and it is better to let him stick to his regular job of selling.

We do require our salesmen to keep a sharp look-out for any unfavorable information concerning a customer after an account is opened, and to report it promptly, and they have rendered valuable service in this respect, saving many thousands of dollars by informing us of anything they hear or see reflecting on a customer's condition. We never call on a salesman to secure credit data nor collect an account except in emergencies where immediate action is required to avert a loss, and where the good will of the customer is secondary.

A salesman is not qualified for credit work, he doesn't like it, and it is likely to hinder his job of selling by hurting his standing with customers.

*We feel that we have learned something about this subject as our bad debt losses during the last ten years have averaged less than 1/40 of 1 per cent. in spite of the fact that in many places we have to take on customers with third and fourth grade credit and small capital in order to get good distribution.*

Our practice is to exhaust all available sources of getting accurate information before filling the second order, and then follow up all delinquents regularly and vigorously until settlement is secured.

**J. D. Cathon, Credit Manager, The Hoover Company, North Canton, Ohio, states:**

There are two different viewpoints on this question and both seem to work satisfactorily. Something depends upon the type of your business, as to whether or not a salesman could, in his limited time, gather helpful credit information.

It is not obligatory for our salesmen to gather credit information of any character for our Credit and Collection Department. We consider their main

job to be selling. However, as a matter of loyalty to the Company, they report all information that may come to their attention, either favorable or unfavorable.

The credit data is gathered by the Credit and Collection Department of the General Office. This has been our plan for a number of years and the results have been very satisfactory.

**Mr. H. Wells, Secretary, The Cleveland Talking Machine Company, says "Yes":**

For a number of years we have asked our salesmen to secure as much credit information as is possible at the time they take the first order. At first we did not have very much success but since we started using a special form provided for this purpose, we are getting much better results.

In our business we deal with a great number of small outlets. There is only

one individual operating the business many times he does not operate under his own name but uses the name of his own town and adds "Radio Store". The different agencies rate them under their own name rather than their trade name. Our credit information blank provides space to list the different individuals in the firm together with the name under which they are operating. This helps us check the dealer's rating.


In our line it is very important that we know how long the individual has been in business. The condition of the stock of merchandise, the number and name of the various radio lines handled is very important.

We feel it has been quite a success to have our salesmen secure all the credit information they possibly can and we intend to continue this policy.

**The form illustrated below is used by salesmen of the Cleveland Talking Machine Co.**

CREDIT INFORMATION ON NEW ACCOUNT					
Sold to		Date			
Street		How Operated?			
City		Corporation			
		Individual			
		Partnership			
Individuals in firm	Position Held	Age	Married	Nationality	
GENERAL INFORMATION					
Kind of Business?					
How long in Business?					
Is location good?					
Does Business seem prosperous?					
Is condition of stock of merchandise good or bad?					
Own the building occupied?					
Does banking with					
Present Business Conditions					
Lines of Mase. Handled in order of investment	Lines of Talk. Mach. and Radio Handled	Order secured for			
		Kind of Mase.			
		Amount at List Price			
BOYS FROM FIRMS NAMED BELOW TO WHOM WE MAY REFER					
Name	Street	City			
1					
2					
3					
4					
5					
6					
Remarks:					
Salesman					





## What Are the Weak Links in the Chains?

**T**HIS article deals mainly with the grocery chain, in relation to conditions on the Pacific Coast and territory West of Chicago. The story is the same in principle all over the country, and in all lines of chains, but the details and working out processes differ in various lines and in many types of communities.

The grocery chains have invaded this territory within the last decade, and have attained their peak within the last five years. During the last few years they have been merging, consolidating, combining, and refinancing, but doing very little actual extending.

They came in flashes accompanied by thundered announcements, spectacular advertisements, and much editorial comment and boosting from all the advertising mediums, both local, state-wide and national. This advertising made the boldest claims for the chains. The very names, like Piggly Wiggly, were so meaningless that they excited curiosity. The chains called themselves modern, scientific institutions, embodying every ingenious idea, novel innovation, and improved method. The old, existing grocery stores were made to look obsolete and no longer worthy of the support of the buying public.

The grocery chain also sponsored a general attack on the regular independent grocery and general stores, giving them a *bad name* through propaganda which pictured them as being kept by ignorant, careless, shiftless people in unfit stores, badly lighted with old style fittings and having unsanitary conditions generally.

All this propaganda found a ready ear from the public, and as the new invader assumed a pompous and wealthy role with ready money on hand to spend for new locations or new buildings or newly fitted buildings, he gained popularity with the real estate and building people, and with all who came in to do any kind of business with this free

spending new-comer, whose propaganda touted the chain store as the new-found liberator of the buying public from the oppression of the old-style grocer and merchant with all his uncouth and out of date operations and his limited means and nondescript methods.

The grocery chain advent in the Western field had followed chains in other lines, such as the Woolworth, Kress, cigar chains, drug chains, and department store chains in the cities, all of which had come in more gradual and orderly fashion over a period of two decades. Their crowding into these fields, however, has had the same general result on the local merchant in these various lines, the smaller merchant being gradually displaced by the bigger, stronger, and more wealthy invader.

### An Unfair Contest

But the grocery chain invader came in a more war-like formation. When he struck a city of 100,000 population, he mapped out a plan to put in 20 stores at least, in as many of the best locations as he could find, but not because more stores were needed, as the grocery field has always been crowded to capacity, and generally overcrowded. After this has been done by from three to five different chain store systems, it gives a total of from sixty to one hundred cash and carry chain stores in this sized city, with corresponding numbers in larger and smaller sized communities.

The contest has been an unfair and an unequal one. The invading chain has come to the West with the proceeds of a stock selling campaign in its coffers, with the encouragement of most food manufacturing concerns who themselves have combined and consolidated their positions, and have increased their merchandise lines ten times or more, and whose sympathies and methods lend themselves to chain store outlets as a ready plan of quantity sales.

Not only the big food manufacturers, but the government itself, through the Department of Commerce, has lent every encouragement to the chain store era of distribution. In the publication "Domestic Commerce," thousands of pages have been devoted to boosting and encouraging the "new scientific methods" of chain store distribution.

The chain store is exploiting the public, and driving out the independent local merchant throughout this vast territory by capital derived from "stock sales" by high finance methods and by fraudulent watered stock methods of capitalization and unrestrained methods in getting "other people's money" into their coffers, in paying dividends from "surplus" and capital derived from stock sales. Their methods are not regulated, supervised, or inspected. It seems to be a case of "any way to get the money, and go as far as you like."

Anybody knows that the grocery business is not and never has been a money-making commercial enterprise. As a general rule, it has never done more than to furnish a very moderate, generally a very meagre return on the investment used in the business, and that only under good management coupled with hard work and the most economical and saving disposition on the part of the owner.

*Such an owner and operator of a grocery store can beat any chain store and can defy them to do their worst.* But the truth is that the grocery chains have been making their money by stock-selling and their high finance manipulation and unlimited and uncontrolled capitalization methods and not by the successful operation of retail grocery business. The field is overcrowded throughout the country, and chains are competing with each other now.

The chains profits are eagerly and early remitted to their headquarters office, and they are coming back to their

(Continued on page 52)

**GEORGE P. WRIGHT, President, Tacoma Grocery Company, Tacoma, Washington, gives his answer in this article.**

# Nation-Wide Collection and Sales Conditions

## WHAT THEY ARE AT PRESENT THE OUTLOOK FOR THE NEAR FUTURE

**C**REDIT MONTHLY offers its sixth monthly survey of Collections and Sales Conditions. This survey is based upon reports from cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and

■ This is the sixth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit Monthly.

"Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country. These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT MONTHLY. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

### COLLECTIONS

### SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Arizona	Phoenix			Slow			Slow
Arkansas	Fort Smith			Slow			Slow
	Little Rock			Slow			Slow
California	Los Angeles		Fair			Fair	
	Oakland		Fair			Fair	
	San Diego		Fair		Good		
	San Francisco		Fair			Fair	
Colorado	Denver		Fair		Good		
	Pueblo			Slow		Fair	
Connecticut	New Haven		Fair				Slow
	Waterbury			Slow			Slow
Dis't of Col.	Washington			Slow		Fair	
Florida	Jacksonville			Slow			Slow
	Miami		Fair			Fair	
	Tampa	Good				Fair	
Georgia	Atlanta		Fair				Slow
Illinois	Chicago			Slow			Slow
	Decatur			Slow			Slow
	Galesburg		Fair			Fair	
	Peoria			Slow			Slow
	Quincy			Slow			Slow
	Rockford			Slow			Slow
Indiana	Evansville			Slow			Slow
	Fort Wayne		Fair			Fair	
	Indianapolis		Fair				Slow
	South Bend			Slow		Fair	
	Terre Haute			Slow			Slow
Iowa	Burlington			Slow			Slow
	Cedar Rapids		Fair			Fair	
	Davenport		Fair			Fair	
	Des Moines		Fair			Fair	
	Ottumwa			Slow		Fair	
	Sioux City		Fair			Fair	
	Waterloo		Fair		Good		
Kansas	Wichita		Fair			Fair	
Kentucky	Louisville		Fair			Fair	
Louisville	New Orleans			Slow		Fair	
	Shreveport			Slow			Slow

## COLLECTIONS

## SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Maryland	Baltimore		Fair			Fair	
Massachusetts	Boston		Fair			Fair	
	Springfield			Slow		Fair	
Michigan	Detroit		Fair			Fair	
	Jackson			Slow			Slow
	Lansing		Fair			Fair	
	Saginaw		Fair				Slow
Minnesota	Duluth		Fair			Fair	
	St. Paul		Fair			Fair	
Missouri	Kansas City			Slow			Slow
	St. Joseph		Fair			Fair	
Montana	Billings		Fair			Fair	
	Great Falls			Slow			
	Helena		Fair			Fair	
Nebraska	Lincoln			Slow			Slow
	Omaha		Fair			Fair	
New York	Albany		Fair			Fair	
	Buffalo		Fair			Fair	
	Elmira			Slow		Fair	
	Rochester		Fair			Fair	
	Syracuse		Fair			Fair	
	Utica			Slow	Good		
North Carolina	Charlotte			Slow			Slow
	Greensboro		Fair			Fair	
North Dakota	Fargo		Fair			Fair	
Ohio	Cincinnati		Fair			Fair	
	Cleveland			Slow			Slow
	Dayton			Slow		Fair	
	Youngstown			Slow			Slow
Oklahoma	Oklahoma City			Slow			Slow
Oregon	Portland			Slow			Slow
Pennsylvania	Allentown		Fair			Fair	
	Altoona			Slow			Slow
	Johnstown		Fair				Slow
	New Castle			Slow			Slow
	Philadelphia		Fair			Fair	
	Pittsburgh		Fair				Slow
	Reading			Slow	Good		
	Scranton			Slow			Slow
	Wilkes-Barre			Slow		Fair	
Rhode Island	Providence			Slow			Slow
Tennessee	Chattanooga			Slow			Slow
	Knoxville		Fair			Fair	
	Memphis			Slow			Slow
Texas	Austin		Fair			Fair	
	Dallas		Fair			Fair	
	El Paso		Fair			Fair	
	Fort Worth		Fair			Fair	
	Wichita Falls			Slow		Fair	
Utah	Salt Lake City		Fair			Fair	
Virginia	Bristol		Fair			Fair	
	Lynchburg		Fair				Slow
	Norfolk		Fair			Fair	
	Richmond		Fair			Fair	
	Roanoke		Fair				Slow
Washington	Bellingham			Slow			Slow
	Seattle			Slow		Fair	
	Tacoma		Fair			Fair	

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See next page for Comments on Collections and Sales



## COLLECTIONS

## SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
West Virginia	Bluefield			Slow		Fair	
	Charleston			Slow		Fair	
	Clarksburg		Fair			Fair	
	Parkersburg		Fair			Fair	
	Wheeling			Slow			Slow
Wisconsin	Williamson			Slow		Fair	
	Fond du Lac			Slow		Fair	
	Green Bay		Fair			Fair	
	Milwaukee		Fair			Fair	
	Oshkosh		Fair				Slow

## ■ ■ COMMENTS ON COLLECTIONS AND SALES CONDITIONS ■ ■

**ARIZONA:** Conditions in Arizona are "slow". The "weeding out" of weak concerns continues, the automotive lines being particularly hard pressed.

**ARKANSAS:** The unusual drought still prevails. Corn crop has burned up and farmers are without money and supplies.

**CALIFORNIA:** There is a marked tendency toward an improvement in both collections and sales.

**COLORADO:** The outlook is very favorable for an improvement in both collections and sales. Crops are better than they have been for years.

**CONNECTICUT:** In view of the adverse conditions, collections are holding up remarkably well, although sales are very slow. Since August 1 sales have dropped to practically nothing at all and the manufacturing industry is at the year's low point.

**FLORIDA:** A very favorable report was received from Florida which reads as follows: "After four years deflation following the collapse of the greatest real estate boom the world has ever known, and after hurricanes, storms, the Med-Fly, and a series of Bank failures, Florida now is most definitely on the upgrade. With the modification of the

fruit fly regulations, and the largest citrus crop in years with practically all the grape fruit under contract at good prices, we feel that most of our troubles are behind us. Large Canning factories from the East and West are looking for location and actually have some large canning factories under con-

struction. This will help the citrus industry and the farmers."

**ILLINOIS:** Collections and sales in Illinois seems to be slow, although sales show a tendency to increase. Due to the stretch of extremely hot weather, the corn crops came near to being a failure.

**IOWA:** Conditions in Southern Iowa are reported "Slow" because of unemployment conditions in the railroad shop cities and manufacturing cities and also caused by the drought.

**LOUISIANA:** Collections and sales are slow for this season of the year. The cotton crop which is short has already begun to move. Due to the long period of dry weather cotton is opening prematurely. Feed crops throughout the section are very short. Building is lagging and many workers are idle. New oil fields have been discovered in Sabine, DeSoto and Bossier Parishes and only this week oil was discovered in the old Bellevue field in Bossier Parish at an entirely new depth. These developments in oil production in this section would normally help conditions materially but prices for petroleum products along with prices for lumber and other products of this

(Continued on page 53)

## CHANGES SINCE LAST MONTH

State	City	Collections	Sales
Arkansas	Ft. Smith	Fair to Slow	Fair to Slow
	Little Rock	Slow to Fair	Fair to Slow
California	San Francisco	Slow to Fair	
Colorado	Denver		Fair to Good
Connecticut	New Haven	Slow to Fair	Fair to Slow
Dist. of Col.	Washington		Slow to Fair
Florida	Jacksonville		Fair to Slow
	Tampa	Slow to Good	
Georgia	Atlanta	Slow to Fair	
Illinois	Peoria	Fair to Slow	
Indiana	Indianapolis	Slow to Fair	
	Cedar Rapids	Good to Fair	
Iowa	Des Moines	Slow to Fair	
	Ottumwa	Fair to Slow	
	Sioux City	Slow to Fair	Slow to Good
	Waterloo	Good to Fair	
	New Orleans		Slow to Fair
Louisiana	Saginaw	Slow to Fair	
Michigan	St. Paul		Slow to Fair
Minnesota	Kansas City		Fair to Slow
Missouri	St. Joseph	Slow to Fair	
	Helena	Slow to Fair	Slow to Fair
Montana	Omaha	Slow to Fair	
Nebraska	Albany		Slow to Fair
New York	Utica	Fair to Slow	
	Charlotte		Fair to Slow
North Carolina	Greensboro		Fair to Slow
Ohio	Cincinnati	Slow to Fair	
	Cleveland		Fair to Slow
Pennsylvania	Dayton		Slow to Fair
	Philadelphia	Slow to Fair	
	Pittsburgh		Fair to Slow
	Reading		Fair to Good
Tennessee	Scranton	Fair to Slow	
	Knoxville	Slow to Fair	
	Memphis	Fair to Slow	
Texas	Austin		Slow to Fair
Virginia	Lynchburg	Slow to Fair	
	Roanoke		Good to Slow
Washington	Bellingham		Fair to Slow
West Virginia	Bluefield	Fair to Slow	
	Charleston		Fair to Slow
	Clarksburg	Slow to Fair	
	Williamson		Slow to Fair
Wisconsin	Fond du Lac	Fair to Slow	

CREDIT MONTHLY

# Burroughs



**BURROUGHS TYPEWRITER  
ACCOUNTING MACHINE**

## *Sales*

*Posts accounts receivable ledger, writes customers' statements, and creates proof-journal in one operation. Distributes sales. Types, calculates and totals out-going invoices.*

## *Purchase and Payment*

*Checks incoming invoices. Posts purchase distribution and creates proof-journal. Posts accounts payable ledger or voucher and creates proof-journal. Writes check, voucher and check register.*

## *Timekeeping and Payroll*

*Calculates day work and piece work tickets and posts daily earnings records. Writes pay check, employees' statement and payroll. Distributes labor to production and expense accounts.*

## *Stores Ledger and Control*

*Posts stores ledger and calculates requisitions. Prepares cost sheets. Posts general ledger.*

*This machine posts various combinations of records in one operation.*

## ONE MACHINE FOR ALL ACCOUNTING

The Burroughs Typewriter Accounting Machine is ideal for the business that desires the speed, accuracy and economy of machine accounting, but whose volume does not justify different machines for different kinds of work.

This one Burroughs Machine is so flexible that it will handle any or all of the different accounting jobs in the average business as enumerated above. Users have all the advantages of machine-kept records with a minimum investment.

It multiplies directly, typewrites, adds, subtracts, accumulates totals; prints results and totals by a single key depression; posts several related records in one operation.

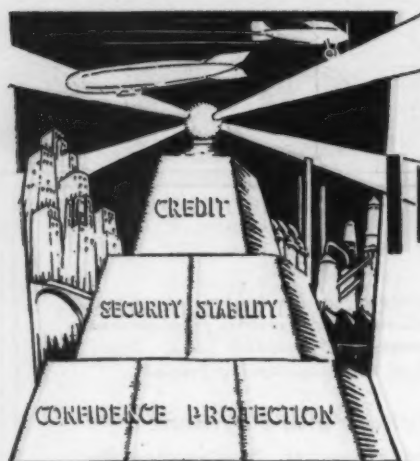
*Call the local Burroughs office for a demonstration  
of this machine on your work, or write*

**BURROUGHS ADDING MACHINE COMPANY  
SECOND BOULEVARD DETROIT, MICH.**

BACKED BY WORLDWIDE BURROUGHS SERVICE

SEPTEMBER, 1930

*When writing to Burroughs please mention Credit Monthly*



# INSURANCE DIGEST

## Current Developments in Unemployment Insurance

The period of depression through which business has been passing with a resultant decrease in production and laying-off of workers is bringing the project of unemployment insurance to the fore.

The development of unemployment insurances entails the solving of several major problems. Should this form of insurance be administered by the state governments or by independent insurance companies? Leading writers on insurance feel that the latter arrangement is the better. Unemployment is usually sporadic, appearing simultaneously in many different sections of the country. An independent insurance company with branches all over the country, but with centralized resources, can give broader coverage than state governments.

Use & Occupancy insurance provides a good temporary coverage for unemployment caused by the cessation of operations in a plant destroyed by fire. In the co-insurance form of U. & O. insurance, item No. 2 reads: "on the assured's entire payroll for a period of time not in excess of ninety consecutive days immediately following loss or damage by fire."

The employer usually buys this type of insurance to protect himself against the necessity of hiring new help if his regular, experienced employees are forced to secure work elsewhere while his plant is undergoing repairs. It spares him the trouble and expense of breaking in new inexperienced workers when his plant starts operations again. This type of insurance which enables an employer to retain his regular staff of workers until repairs are made, protects this group of workers against al-

most certain unemployment during a period of business depression when work is difficult to obtain.

## Combatting Underwriting Losses of Casualty and Surety Companies

Casualty and Surety Insurance Companies suffered a loss of \$21,404,572 or 2.5 per cent. on \$868,539,078 worth of premiums which they earned during 1929, according to "Human Relations". Credit executives should recognize the danger inherent in this yearly loss, and should keep in touch with and co-operate with the efforts of insurance companies to reduce this loss.

Since inadequate rates are one source of underwriting losses, insurance companies are endeavoring to get permission from the State authorities which control insurance rates to fit the premium to the cost of protection. The rate-making bureaus of the insurance companies are well qualified to set rates and their computations are based on authoritative data.

Until the rate-level is raised to meet the increasing accident frequency and the increasing cost per claim, agents are doing their part to reduce their companies' losses by choosing their underwriting risks more carefully and by diversifying the business secured for their companies. They are building up business in the lines of insurance which show a profit such as: Burglary, Glass, Public and General Liability and Boiler and Mechanical Equipment.

Far-seeing credit executives will interest themselves in the financial condition of the companies handling their insurance.

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

## Insurance Against Stock Market Losses?

Executives who direct the investments of their companies will be interested in a plan for insurance against stock market losses which has been proposed by Franklin Johnson, a New York insurance man, formerly connected with the U. S. Treasury Department. Mr. Johnson believes that a company with resources of a billion dollars could insure individuals and institutions against inability to sell certain common and preferred stocks at cost prices, within one year from the date of purchase.

The insurance company, according to Mr. Johnson's plan would write insurance only on sound dividend-paying stocks and would insure only conservative investors who buy stock outright or who have sufficient resources to protect margin accounts.

Insurance men have raised two major objections to the plan: first, that no insurance company ever began business with a capital of one billion dollars; second, that bankers will oppose the plan.

Mr. Johnson believes that the last objection is unfounded. He has received letters from bank officials all over the country assuring him the idea is a workable one and one which would not interfere with the issuance and marketing of securities. The president of a large New York bank says that the plan "should tend to stabilize security values to a certain extent from a credit standpoint".

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Mr. Johnson also believes that in this age of mergers, an insurance company with a capitalization of one billion dollars is not a fantastic dream.

### Recreation Hazards—and A Suggestion for Protection

An analysis of 4400 "recreation" accidents, excluding automobile mishaps, made by the statistical bureau of the Fidelity and Casualty Company, shows that baseball playing in back lots and elsewhere accounts for the largest number, or 18 per cent. of the total. Swimming and bathing come next with 13 per cent.

Other sports rank as follows: wrestling and "friendly scuffling", 6.5 per cent., bowling, 6.1 per cent., skating 5.2 per cent., tennis, 4.8 per cent., fireworks, 4.4 per cent., hunting 4.00 per cent. and golf 3.7. Ping Pong is the least dangerous sport having caused only 3 out of the 4400 accidents analyzed.

Many insurance companies are issuing policies which protect the assured while playing or watching some sport. The Fire Association Fleet issues a Golfer's Policy which protects against all hazards of playing, practicing or watching golf. It also insures against assured's liability to others for bodily injury or damage to property while playing or practicing golf, and loss or damage to clubs, equipment, or clothing of assured, away from his residence by all hazards including loss by theft in excess of \$25.00.

### A Savings Plan Which Provides Life Insurance Protection

A practical plan of estate accumulation and appreciation combined with life insurance protection is offered by the Financial Independence Founders, Inc. of New York. This corporation issues Financial Independence Share Certificates which represent ownership of an interest in selected securities of proved value in denominations of \$1200 and multiples of that figure up to \$9600. The life insurance protection extends to the maximum figure of \$9600.

The investor may pay for these shares on a partial-payment plan, the payments to extend over a period of not longer than ten years. The investor participates in the earnings of the securities while he is paying for them.

Immediately upon issuance of the Financial Independence Share Certificate the investor's life will be insured (without medical examination except

in special cases) for the unpaid balance of the certificate. During the first month the investor's life will be insured for the difference between the amount of the first payment and the full value of the certificate purchased. As payments are made, the amount of the protection is reduced correspondingly. The cost of premiums is included in the fixed charges of the company, an amount equivalent to an average of less than one and two-thirds per cent. per annum of the face value of the certificate. The cost of the insurance, which is placed with reputable life insurance companies, is only a fraction of the cost of ordinary life insurance, as it is bought as a special group policy.

### Aircraft Property Damage Insurance Made Uniform

The increasing use of aircraft has made the standardization of aircraft insurance imperative. A new policy form of the Aircraft and Motor Vehicle Property Damage Policy has been issued by the Fireman's Fund Insurance Company. This revised and broadened form is the result of the Explosion Conference which made a deep study of the whole field.

The new policy presents the following advantages; it protects the interest of financial institutions which demand aircraft coverage as a condition necessary to the consummation of loans, includes property on airfields, and has been broadened to include risks located within one mile of airports; permits blanketing of building and contents; fills the fire coverage gap caused by the operation of any fallen building clause as a result of an air-craft crash; protects against damage caused by all types of aircraft; continues coverage against damage resulting from the falling of objects from aircraft, and allows a 100 per cent. coverage of building and contents.

### 1930 Volume of "Cyclopedia of Insurance in United States" Is Out

The 1930 volume of the "Cyclopedia of Insurance in the United States", Hayden's original "Insurance Blue Book", has just been published by the Index Publishing Company, 206 Broadway, New York. This book has been greatly enlarged this year and now runs to 960 pages. Of the new features added, probably the most important is the Insurance Legal Decisions Section. This year's volume is divided into five sections: 1. Fire & Marine; 2. Life; 3.

Casualty, Surety & Miscellaneous; 4. Insurance Legal Decisions; and 5. Personal Biographical Sketches.

The Legal Decisions Section of the book, which has been arranged so as to facilitate ready reference to the various decisions on insurance, has cases arranged and summarized in brief form by lines of insurance, with a reference to the citation of each case.

The decisions relating to Workmen's Compensation alone number approximately 500 recorded cases reported in non-technical language. Covering as it does all lines of insurance, the Legal Decisions Sections is very valuable to agents, brokers, company claim departments, insurance lawyers and others. The Editor of this section is S. B. Ackerman, Associate Professor of Insurance, New York University, and Member of the New York Bar.

Definitions of all forms of insurance cover, as well as definitions and explanations of insurance terms, are found in the Cyclopedia. The insurance laws of the various States, such as those defining Agents, Brokers, Special Deposits, Taxes, Policy forms, Valued Policy Laws and so on, are given, brought up to date through the co-operation of the insurance commissioners of each state.

The Cyclopedia also gives a record of insurance companies of every class legally doing business in the United States, including assets and liabilities, officers and other historical data, and of all State and National Associations, Federations, Boards, etc.

### New Accident Policy Gives Broad Coverage

Injuries from accidents are often as costly as they are painful. The Century Indemnity Company is issuing a new accident policy, which offers unusually broad coverage. The premium rates of this new policy which is called the "Feature" are only slightly higher than those of regular accident policies.

This policy covers all medical, surgical, hospital and nurse expenses incident to an accidental bodily injury up to a stated maximum. Heretofore, a certain amount each week has been payable for hospital expenses, based on the weekly indemnity and payable for a limited number of weeks. The new "Feature Accident Policy" pays the actual expenses incurred regardless of how many weeks the injured person remains in hospital, or the rate per week. The full amount of medical and surgical expenses is also paid.

## From the Mental Mint

When an inspiration hits you, let it deaden you to all else but the requirements of that inspiration.

Most people worry so much about their *income* that the *outcome* of their work doesn't bring more *income*.

It doesn't pay to sad-vertize.

Through failure to make self-infusions of energized inspiration, many people get *delusions* from their work—not *conclusions*.

The man who gets *wages* envies the man who gets *salary* and the man who gets *salary* envies the man who gets *income* and all three envy the man who gets a *bonus*.

He who conceives of nothing as impossible is capable of the impossible.

Most pluggers plug nothing but leaks.

The best mental ration is inspiration.

There is no *mart* for the *art* of being *smart*.

Consider the never-failing industriousness of the bee and ask yourself: To bee or not to bee?

Too much *night work* often causes too much *light work* in the daytime.

Take the two "i's" out of pessimism and put them on top of the two "i's" in optimism and the "I" will dominate as in optimism.

Packages of success almost always come C. O. D.

The fighter seldom loses and the loser seldom fights.

The *lock* on the door of success will open to the *knock* of the man who makes his plans with the order of a *clock*.

... C. M. H.

## Captain Dollar Talks

(Continued from page 12)

time, and we did not sell our logs, expecting to get a much higher price when we would deliver them to market the following summer. But along came the historical Black Friday in New York, which paralyzed business in Canada as well as the United States. When we sold our logs we faced a loss of what little money we had invested and an additional five thousand debt. In order to pay up the debt my partner and I had to go to work for wages. We divided the indebtedness, each agreeing to pay half. It took three years of hard work for me to square myself with the world again.

"A friend made at that time made this wise statement to me: 'Happy and lucky is the man who fails when he is young.' That failure taught me a great deal—probably much more than a corresponding degree of success would have taught me."

"How did you come to enter foreign trade and what are some of your interesting foreign trade experiences and developments," I asked next.

"When I first started my own lumber business I was more or less interested in and connected with foreign trade. My first contact with foreign trade was getting out fine timber for the English market. As soon as I moved to the Pacific Coast, I saw great future possibilities in Oriental trade but I did not venture into this field until I had developed a sound business organization back home.

"Travel and adventure have always appealed to me so my entrance into foreign trade is probably the outgrowth of this romantic tendency. Development of foreign countries that do not have the capital and facilities to foster and promote their own expansion has always attracted me. I do not mean this in an altruistic sense. It was merely an outlet for the streams of interest flowing through my natural channels of creative instinct.

"After my operations on the Pacific Coast got under way I soon learned that the steamship companies were not giving me the kind of service and cooperation that I desired and needed. So I decided to buy and own the ships I needed.

"In 1901 we made our first venture into China trade with the steamer 'Arab', which had a capacity of six thousand five hundred tons. I found at

once that if we were going into foreign trade a well planned and managed organization would be necessary, because the 'Arab' made its first trip with half a cargo and at a very low rate, making us losers on our first venture.

"In 1902 we began trade with Japan. On a trip I made to Hokkaido I became convinced that considerable trade could be worked up between Japan and America. I was pleased with the quality of Japanese oak, and bought six oak railroad ties, taking them to San Francisco. This was the first oak taken from Japan to the United States. We made the ties into furniture and found the wood very satisfactory. Contracts were made with American companies and our Oriental trade really began.

"As our foreign trade grew I found it necessary to take over businesses and industries and develop them in order to develop shipping. I have just written a letter to Cameron Forbes, congratulating him on his appointment as U. S. Ambassador to Japan, which brings to mind one of my experiences in developing business to promote shipping. Mr. Forbes was representing our government in the Philippines when I made a trip to the Far East and the South Seas with the view of developing the copra business. When Forbes said, 'Dollar, you have to take a trip to the South Seas and see what can be done about the copra business,' I didn't object nor did I confess that the copra business was the very reason that had brought me to the Philippines."

Captain Dollar then told me how Forbes had chartered a gun boat to take him to the South Seas. As soon as Dollar reached the copra islands he began work and developments, cabling his son in San Francisco that the business could be started. A return cable stated that unless ten thousand tons could be supplied yearly it would not pay the people in America to handle the business. Although prospects for such a large supply of copra were not encouraging, Captain Dollar decided to develop the copra business himself, and cabled back that he would meet the demand.

Captain Dollar's sound, principled methods of trading with foreign countries have given him an unusually strong foothold wherever he has done business. One interesting story he told me reflected this fact in an emphatic manner.

"A few days ago a man sat in the very chair you are sitting in," Captain Dollar said to me. "He had just re-

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turned from China and dropped in to relate one of his experiences. He had climbed a long flight of stairs to give his sales story to a Chinese lumber dealer, who listened very thoughtfully and attentively, and then answered, 'No sir, I cannot do business with you. Captain Dollar has climbed these steps for thirty years and done business with me just as faithfully as he has climbed the steps. When the time comes that you have climbed these steps as many years and as many times as he has, then maybe I will do business with you.'

Captain Dollar's belief in a foreign trade future for this country is very profound. "What has made England, on the little island she owns, a great sea and territorial power?" he said. "It is not her fine navy. That is secondary. It is her commercial shipping. I heard an American and Englishman arguing over the importance of their countries, with particular emphasis on shipping. When the Englishman got the best of the argument, the American said, 'Damn you, we can take your little island and sink it in Lake Superior.' It is the size of a country's shipping, not the size of the country, that brings world pre-eminence today."

I asked Captain Dollar what principles or rules had helped him the most in his life and work. He answered: "Always keeping my word, living up to every bargain I make and working hard. A man may have less ability than others, but if he establishes a reputation for integrity, honesty and hard work a reasonable degree of success is certain to come."

"I have always tried to preach the philosophy of work to my sons. When we started the first regularly scheduled around the world service many people said and thought that we were crazy. But I had confidence in the soundness of the plan. When we started this service I called my sons in and told them we would all have to take off our coats and work as we had never worked before. The first six months we lost five hundred thousand dollars. I called the boys in around the table again, and said, 'When we started this program I told you to take off your coats. The first six months show a half-million loss—now we'll have to take off our shirts and work still harder.' Business improved. We broke even and finally began to make money on our round the world service. I called the boys in once more and this time said, 'We are making money so you can put your shirts back on. But keep your coats

off all the time—we have plenty of hard work ahead in every phase of our business.'"

We discussed still further the question of success and what kind of training men need to succeed. Captain Dollar gave me an idea of how he had approached and discussed the subject with his sons.

"When my sons were still in school I had long talks with them about their futures. All expressed a desire to enter the lumber business, as I had not yet actually started the shipping business, although I had chartered several boats for China. I told them I would teach them and work with them *provided they were willing to gain their advancements in the business by hard work.*

"This viewpoint started them out with their feet firmly planted on the ground and with no unsound ideas in their heads. They have grown up with the business and developed into very able executives and business men."

"It is my belief that a child, if placed at the top of the ladder, will quickly become frightened and probably fall off and hurt himself, usually for the rest of his life. If you start a youngster

on the ground and allow him to carefully make his way to the top he will not become confused at his position, and will stay there and become a useful member of society."

And so has Captain Robert Dollar, the "Grand Old Man of the World", lived a life of accomplishment and work that reflects highly deserved glory to his name. His memoirs, finished in 1928, make one of the most fascinating life-stories ever penned, and at the same time comprise one of the best geographical and foreign trade treatises ever written.

A poem dedicated to Captain Dollar, and published in a paper in his hometown of Falkirk, Scotland, contains a last stanza that says what I feel like saying about Captain Dollar and does it more effectively and eloquently than I possibly could.

"The thankful bard would fain extol  
The man who has a splendid soul,  
Who can unkindly thoughts control

And good examples show;  
Whose grand career makes more divine  
His native soil and noble line;  
And I would cast around his shrine  
A bright reflecting glow."

# Great American Insurance Company New York

INCORPORATED - 1872

HOME OFFICE, One Liberty Street, NEW YORK CITY  
WESTERN DEPARTMENT, 310 S. Michigan Avenue, CHICAGO, ILL.  
PACIFIC DEPARTMENT, 233 Sansome Street, SAN FRANCISCO, CAL.

## POLICIES ISSUED TO COVER

Fire, Lightning, Tornado, Windstorm, Hail, Explosion, Rents, Profits, Commissions, Automobiles, Motorcycles, Leasehold, Marine, War Risk, Hulls, Cargoes, Inland Marine, Inland Transportation, Floaters, Registered Mail, Mail Package, Tourist Baggage, Sprinkler Leakage, Use and Occupancy, Earthquake, Riot and Civil Commotion.

## AFFILIATED INSURANCE COMPANIES

American Alliance Ins. Co.	Massachusetts Fire & Marine Ins. Co.
American National Fire Ins. Co.	Mount Royal Assurance Co. (Canada Only)
County Fire Insurance Co.	North Carolina Home Ins. Co.
Detroit Fire & Marine Ins. Co.	Rochester American Insurance Co.

## Great American Indemnity Company

SEPTEMBER, 1930

When you take out a Great American policy please mention Credit Monthly



## Genesis of Financial Statements

(Continued from page 17)

pendently checked and certified paralleled the changes in structure and relation. As it became necessary to decide credit problems without close personal contact between creditor and debtor, it became necessary to use the figure facts more generally. The transition from credit extended on judgment alone to credit extended on a sound judgment of proven facts was not made in a day or a week, or a decade. There still remain credit executives who follow the rule of "Hunch", some even who seem to follow the rules of phrenology, in extending credit. Some of these are just the rear guard of an older order. Some are a younger rear guard who were taught that "the credit man is born" with some sort of an extra sense that makes guessing correctly possible. This type has not become emancipated from "hunch."

But there is a tremendously growing body of earnest thinkers who believe that in credit, as in medicine or engineering, it is important to gather facts, as many facts as possible, and study them carefully. The same amount of innate ability to grant credit successfully on hunch or personal contact can accomplish even more when based upon facts. To this latter type of fact analysis the financial statement provides a most important group of facts, from the accurate analysis of which much can be gained. The importance of statements, then, made itself felt first as creditor and debtor began to lose direct contact. As the feeling of this importance grew, accounting, as a profession, came into existence. These two developments have happened within the experience of many credit men still alive to-day. All in all, there is quite a romance in the development of financial statements.

## Chart Your Collections

(Continued from page 16)

ow Display," which, after being O. K'd by the sales manager, is then forwarded to the display department. When the trim has been completed, another form of a different color, headed, "Window Display Service," is then signed by the dealer. This form, if it calls for specialty merchandise, serves as a record to be forwarded later to the manufacturers concerned. When the dealer's receipt for the display has been obtained, a third form, addressed to the

salesman, informs him that the display has been completed, and instructs him to, "Thank the druggist for the use of his window and go after repeat orders on this line."

To serve still further the druggist who is eager to learn more about modern merchandising methods, we now offer him the advisory service of an expert business engineer, who covers our entire field systematically, after appointments have first been made by the salesman. Supplementing this service, we have compiled a five-page mimeographed pamphlet containing a proven successful merchandising plan and schedule. We send this out to customers upon request only, inasmuch as we do not wish to assume a dictatorial attitude about their business manage-

ment but rather act as advisors.

I believe that the wholesaler can aid the retailer still further to achieve that sound business condition which makes for ideal collections.

Every salesman, I think, should be able to perform the same functions that our business engineer takes care of, advising and assisting each customer in the modernization of his business. True, the average wholesale salesman is very well posted along these lines, but his schedule is too crowded to permit him to spend more than a very limited amount of time with each customer. It is a crisis like one through which we are now passing that awakens us to the realization of how much it is to our own benefit to stay right with our goods until it moves from the retailer's shelves.

CREDIT MONTHLY

## One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

JUNE, 1930

CASE	INDIVIDUAL	CHARGE	SENTENCE
Khin Furniture Co., Newark, N. J. (Furniture)	Khin, Julius	Perjury	6 months
Frank Adams, Inc., Port Richmond, S. I. (Gen'l Merchandise)	Adams, Frank	Use of mails in a scheme to defraud	16 months
Baba Georges, New Britain, Conn. (Jewelry)	Georges, Baba	Concealment of assets	60 days—suspended
David Gold, Springfield, Mass. (Wholesale Butter & Eggs)	David Gold	Concealment of assets	18 months in the Hampden County Jail
Mac's Motor Supply Co., Greenfield, Mass. (Auto Supplies)	Kathlyn G. MacDuff	Concealment of assets	Suspended sentence of 1 year and 1 day and placed on probation for 1 year
Simon Brown, Brownsville, Pa.	Simon Brown	Use of mails to defraud	Fined \$500, given sus- pended sentence of 6 months and placed on probation for 1 year
Thomas S. Saleeby & Co., Fayetteville, N. C. (Fruits)	Thomas S. Saleeby	Conspiracy to conceal assets	18 months in Atlanta Pen- itentiary
	E. S. Saleeby	Conspiracy to conceal assets	18 months in Atlanta Pen- itentiary
	Nicholas Saleeby	Conspiracy to conceal assets	1 year and 1 day
	Jacob Saleeby	Conspiracy to conceal assets	Sentence deferred
Alexander I. Cohen, Chicago, Illinois (Dresses)	Alexander I. Cohen	Concealment of assets	6 months Cook County Jail
Arrow Garment Co., Chicago, Illinois (Clo.)	Louis Berman	Conspiracy to conceal assets	Fined \$500.00
	Harry Greenberg	Conspiracy to conceal assets	Fined \$500.00
Cutler Cash Merc. Co., Cutler & Steelville, Ill. (Gen'l Mchc.)	Everett Deppe	Violation Postal Laws	6 month Franklin County Jail
Emil Moroni, Johnson City, Ill. (Furniture & Gro.)	Owen Hansford	Concealment of assets	1 year and 1 day Leaven- worth Penitentiary
J. Goldberg, Collinsville, Ill. (Dry Goods)	Joseph Friedman	Violation Postal Laws	1 day in jail, paroled by U. S. Marshal for 24 hours
C. H. David, Granite City, Ill. (Clothing)	C. H. David	Conspiracy to conceal assets	18 months Leavenworth Penitentiary. Fined \$5,000
	Navas David	Conspiracy to conceal assets	18 months Leavenworth Penitentiary. Fined \$5,000

Total of 971 Convictions from June 1, 1925, to June 30, 1930

## Insurance a Liquid Asset

(Continued from page 19)

possible protection.

As a local agent, I consider the relations which exist between me and the companies I represent closely comparable to those existing between the Credit Man and the company for which he acts. I believe the comparison is an apt one. Every man who comes to me seeking insurance is, in effect, asking me to guarantee him to my principals as a good credit risk. This I cannot do, if he is a stranger to me, until I have investigated him. If he is a man who has lived in my community for a long time, if I have had previous dealings with him, the chances are that very little investigating is necessary. In that case, I am happily placed. I can bring the human element into play and make a quick decision.

If he is unknown to me, I cannot conscientiously recommend him as a good "credit risk" until I have made those inquiries which, in justice to my principals, I am bound to make. I must become a Credit Man and proceed as he would. What is the general reputation of the applicant for insurance? Is he considered honest? What is his record of fires in home or business place? How much insurance does he already carry? If he has had any fires on his premises, were there any suspicious circumstances connected therewith? Does he pay his bills promptly, or has he a name for being "hard-up"? Would he benefit by a fire or by any untoward incident in connection with the insurable interest he seeks to cover? These and a dozen other points I must settle before arriving at my decision to recommend his acceptance or rejection as an insurance risk.

And so I say that I believe the Credit Men of the country know more of the technicalities of the insurance business than any class of business men outside of insurance itself. I also believe that the insurance men of the country know more about credit granting than any one class of business men outside of the credit fraternity.

Each class can be of inestimable benefit to the other. Each has its eye on the same ball and each must follow through. The alibi of the duffer will not be accepted by the principals in either class of business, and the man who turns in the low card of losses in either line will always find his place

open for him on the championship team.

The Credit Man as well as the insurance man may well want to enjoy the pleasurable sense of being written down as "one who loves his fellow man," but in his responsibility to his firm, he is called upon to prove himself hard boiled. There is only one safe method. If a customer says he has insurance, make him show you the policy. When he shows you the policy, keep it and watch it. See that it is not cancelled and is not allowed to expire until the last penny due has been paid.

The Credit Man cannot be content to concern himself with fire insurance alone. The several classes dovetail, each into the other, and the illustration of the borrower who is a careful driver is proof that failure to carry all the necessary kinds of insurance can wipe out a man's business and cause loss to the house that extends credit to him.

Only by following through on all the lines can the Credit Man hope to enter the Credit Man's paradise, where every borrower is honest, every buyer of goods reliable, and every man's word his bond.



The amount for the first six months of 1930 was \$337,089,083.00, as compared with \$232,000,000.00 for the corresponding six months of 1929.

### American Credit Insurance

And yet there are still some Manufacturers and Jobbers not yet carrying one of our policies. A policy which would safeguard them completely against abnormal, unforeseen losses caused by the failure of their customers!

#### Credit Managers,

in times like these, what could be of more *vital need* to your business than this strong, tried-and-proved protection and service? Investigate—today!

## The AMERICAN CREDIT-INDEMNITY CO.

OF NEW YORK

J. F. McFADDEN, PRESIDENT

#### Offices in All Leading Cities

New York, St. Louis, Chicago, Cleveland, Boston,  
San Francisco, Philadelphia, Baltimore, Detroit,  
Atlanta, Milwaukee, etc.

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SEPTEMBER, 1930

When you take out an American Credit policy please mention Credit Monthly

The Business Library is the window through which you may see the panorama of business progress and development.



Conducted by  
Frank A. Fall, Litt. D.  
Director of Education and Research  
N. A. C. M.

# THE BUSINESS LIBRARY

## Materials—A World Problem

INTERNATIONAL CONTROL OF RAW MATERIALS. Wallace and Edminster. Brookings Institution, Washington, D. C., 1930. 479 pp. \$3.50.

This important study in economics, by Benjamin Bruce Wallace and Lynn Ramsay Edminster, is an addition to the series published by the Institute of Economics of The Brookings Institution.

Business men as well as economists are well aware of the fact that some of the most puzzling problems in international relations arise from unequal distribution of the sources and supplies of raw materials among the nations of the world.

Restrictions upon access to these materials, and particularly those whose production is highly localized, have increased considerably in recent years. The fear of being shut off from the sources, and deprived of materials without which manufacturing activity could not possibly continue, has upset the equilibrium of many nations, and has greatly complicated the problem of maintaining international good-will.

Messrs. Wallace and Edminster have concentrated their research on a specific phase of the general problem,—government control of exports. Their report indicates, by means of an analysis of typical cases, the objects, methods and results of this control. The policy of our own country in regard to our raw materials, and also concerning restrictions imposed by foreign countries, is fully described.

The authors take the position that any purely national approach, such as a policy of economic retaliation, is entirely inadequate as a remedy for the situation. And they suggest and discuss principles and machinery that might, in their opinion, be used in adjusting international controversies arising from the unequal distribution of raw materials.

The best solution of the problem, the authors believe, would be the acceptance by nations of rules of conduct commonly agreed upon among them as equitable and the provision of adequate machinery for settling honest differences that may arise in respect to their application. For countries exercising control over exports of raw materials, no less than for consuming countries, such a course should in the long run prove advantageous.

If, the authors conclude, in the opinion of the producing countries there are special circumstances that justify maintenance of the controls, if public opinion in consuming countries misunderstands the motives or exaggerates the burdens that

## THIS MONTH'S BUSINESS BOOK

BUSINESS LAW—CASES AND OTHER AUTHORITIES. E. S. Wolaver. McGraw-Hill Book Co., N. Y., 1930. 461 pp. \$4.00.

One of the four courses required by the National Institute of Credit of candidates for its Senior Certificate is Business Law. This subject has been made part of the curriculum, not with the purpose of making lawyers out of credit managers but because a knowledge of at least the fundamentals of business law is an essential part of the equipment of an efficient credit executive.

Many credit managers who are not students in the Institute have asked the Department of Education and Research for advice concerning books on business law. To those who have never had any legal education or experience, the Department recommends an elementary text. After this has been carefully studied, the next step is frequently a request for "a second book," and it is at this point that Professor Wolaver of the University of Michigan step in with the very useful case-book which has been selected as "This Month's Business Book."

The text is divided into three parts: contractual principles used in the ordinary business relations; legal devices used in the securing of transactions; and legal forms of business organization. The text material is preceded by a preface and list of cases, and followed by a five-page index.

Professor Wolaver's attitude is, as it would logically be, that of the teacher. The problem confronting earlier writers was that of the introduction of legal subject matter into schools of business. The modern problem is that of discovering the best method of presenting this material, and Professor Wolaver is interested not so much in teaching the elements of law as in placing before students of business the fundamental legal doctrines and principles that must be considered in all commercial operations, to the end that the function of law in business may be analyzed and understood.

We hope that no credit manager will shy off from this book because it is addressed to "students of business." We all fall under that classification, in one way or another, or at least we should. Neither should any one make the mistake of avoiding a helpful text because it is styled a "case-book." Thanks to our friends at Harvard, the application of the case method to business studies has stood the test of time and come out of the ordeal with flying colors.

accompanying control, then surely no harm can come from allowing the case to go before a properly constituted international tribunal for investigation and adjudication. But if resentment in consuming countries—resentment that may sometimes be based largely upon misunderstanding or exaggeration—is allowed to increase until it eventuates in retaliation and commercial war, both sides will be losers.

## Stockwell on Management

INTRODUCTION TO BUSINESS MANAGEMENT. Herbert G. Stockwell. Harper & Brothers, N. Y., 1929. 276 pp. \$4.00.

The name of the author of this text is familiar to many members of the National Association of Credit Men because of two other books that have come from his pen, or possibly from his typewriter. These are "How to Read a Financial Statement" and "How to Read a Profit and Loss Statement."

The present message is addressed to executives, actual and potential. Among the many thousands of mechanics, salesmen and clerks, says Mr. Stockwell, a small number advance each year to higher positions. Some continue to advance until they reach the top. But for some reason, after their first promotions, all but the few settle into positions beyond which they do not seem able to go.

Why are the few selected to make the beginning and why do some only of the few continue to move up? Young men, the author answers, who never rise beyond the lower stages of business activity are not advanced because they are deficient in the equipment required in the higher positions. If the duty of the next higher position requires nothing more than increased personal knowledge or skill, it can be acquired through diligent study and practice, but to go far in business another kind of equipment is necessary, and that is the ability to manage other men.

Having established this background, Mr. Stockwell proceeds to introduce the reader to the problems of business management, to present an outline of the important business activities or functions and offices, and to indicate how different kinds of managers of those offices think, feel and act.

Here is the set-up, as indicated by the chapter headings:

- Chapter I Business and Business Men
- " II Scientific Thinking in Business
- " III Forms of Ownership of Business Concerns
- " IV Organization of Management Activities

CREDIT MONTHLY



Chapter V	The President
" VI	The Factory Manager
" VII	The Sales Manager
" VIII	The Treasurer
" IX	The Personal Manager
" X	The Purchasing Agent
" XI	The Advertising Manager
" XII	The Office Manager
" XIII	The Cost Accountant
" XIV	The Branch Manager
" XV	Business Ethics
" XVI	Luck and Opportunity
" XVII	Personal Appearance, Manners and Habits
" XVIII	Accumulating Management Information

## If I Were Credit Manager

(Continued from page 20)

If I were Credit Manager, I'd feel that the Sales Manager and I were responsible for the marketing progress of our company. I'd feel that our interests were identical—that we were striving for the same goal. I'd recognize the fact that additional merchandise can not be sold to accounts that are past due. I'd know that it was my job to pass every order possible, and not to see how few I could permit to go through. I'd look upon the salesmen of my company as our salesmen—representatives of my department. I'd think in terms of our markets, our customers, our sales quota and our goal.

How can the Credit Manager get all the information he needs to have in order to serve intelligently his organization and its customers? By study and research, and by actual experience out in the field. Sales Managers can no longer supervise the activities of a national organization from behind a desk. I do not think a Credit Manager can do so either. Business is too complex—competition is entirely too keen to permit long range decisions based on reports from others. Sales Managers now recognize the importance of keeping in close touch with men, markets, customers, and competitive conditions. With this background they are in a better position to pass upon the soundness of any recommendations.

If the Credit Manager is to share with the Sales Manager the responsibility for marketing; if he is to be in a position to co-operate effectively, to exercise selection in his work; if he is to temper and interpret figures and reports in the light of conditions facing his company, he must have enough background to be able to make sound decisions.

If I were Credit Manager, I should make it a point personally to call on my customers whenever conditions justified making the trip. The extension of cred-

it does not involve balance sheets, profit and loss statements, and agency reports only. Behind all of these, and responsible for them, are men. Character and capacity are of greater importance than capital. They cannot always be accurately measured from reports. Call on some of your customers from time to time—let them know that you and your company are interested in them and in their welfare. They not only will appreciate your visit, but it will also enable you to learn more about their business, their problems, and the competitive conditions that confront them. Should you have occasion personally to investigate the financial affairs of one of your accounts, and when you have finished the job in hand, spend the remainder of the day calling on the trade with your local sales representative. If there is no local salesman, call on the trade yourself. It will be both interesting and helpful.

I know from actual experience that the Credit Manager who has merchandising sense—who understands thoroughly the merchandising plan of his company and who can apply it in a forceful, effective manner—is better able to do his job. When a salesman calls on a customer or a prospect, he can not hope to be successful in getting his order unless he can overcome sales resistance. In order to do this the salesman must be able to point out to the prospect in a clear, definite, convincing manner the reason it would be to the

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In almost every business, whether it be a corporation, partnership, or a sole proprietorship, there is one man—perhaps several—who is outstandingly valuable to the management of that business.

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### POSITION WANTED

Credit Executive with 20 years' well rounded business experience; also trained accountant, auditor, systematizer, office manager, financial statement analysis, seeks permanent connection offering opportunities for man of good personality and appearance, possessing initiative, mature judgment, age 40, American. Preference Pacific Coast. References and further details gladly furnished. Address Box No. P.W. 15, Credit Monthly, 1 Park Avenue, New York City.

### WANTED: POSITION OF TRUST

Do you desire to strengthen your organization with a man, who is a business builder, energetic, conscientious, thorough, with high ideals and absolutely practical?

Twelve years, Credit—Collection—Office Management and financial work. Age 43, with the kind of vigor which overcomes obstacles.

Mediocre jobs hold no charms, large responsibility invited. Salary reasonable and secondary to future possibilities. Consider any location. A No. 1 references. Write box PW14, Credit Monthly, 1 Park Avenue, New York City.

SEPTEMBER, 1930

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prospect's advantage to purchase the goods the salesman has to offer. The same merchandising considerations that were effective in getting the order will be effective in securing payment for the goods. The Credit Manager who is a merchandiser—who has a sales slant on his work—can, in order to collect for the bill of goods, put his customer in the same favorable frame of mind that he was at the time of sale. The merchandising-trained Credit Manager who can revive and reconstruct in his customer's mind the enthusiasm and acceptance for the goods that prompted him to buy them, can utilize this same force to secure payment for them. When he does this, he builds upon what has gone before, and better paves the way for that which is to follow.

And if I were Credit Manager, I'd think of my future. All of us know that we are in a buyer's market—that marketing is the major problem of business. For many years demand exceeded supply. Attention and study were given to the production of goods. We have gone a long way toward placing production on a scientific basis. Mass production is one of the contributing factors to American prosperity and progress. We now find ourselves equipped to produce goods far beyond our ability to utilize them. Modern thinking and analysis are being applied to distribution.

This is a period of mergers and keen competition. Larger and more complex organizations require a higher type of management. Inasmuch as distribution is the problem that business faces today, it is obvious that this higher type of management should more and more come from executives who are skilled in marketing. The Credit Manager has unusual opportunities in his position to receive a broad training in marketing. He has, in addition to his contacts with salesmen, markets and customers, a close contact with accounting and finance. While marketing is not on the scientific basis that production now is, the Credit Department has gone a long way beyond the Sales Department in placing its affairs on a sounder basis. It has eliminated much of the guesswork and rule of thumb methods that still persist in selling.

If I were Credit Manager, I should be neither careless nor unmindful of the fact that I occupied a most fortunate position in business—a position that better fitted me to assume the greater responsibility of tomorrow.

## The Benefits of Budgetary Control

(Continued from page 22)

"Probably one of the most important results of our budget work has been that it pointed out unerringly weakness in the organization. A budget represents a goal which can be attained by the coordination of all those engaged in the conduct of a business; it is a tool by which that co-operation can be attained when all govern their activities by it; it represents in its various parts a schedule of requirements for each department of the business; and it points out the weakness of any who fail to meet its requirements.

"For example, the budget laid out a schedule of material requirements by months. We have exceeded those requirements in a small degree because of a preponderance of heavy fabrics, but the requirements as originally set forth were conservative and dependable to a considerable degree. Notwithstanding this, one of our buyers made commitments in the world market for quantities much smaller than those set forth in the budget. The result has been that the even flow of production has often been hampered by the entire lack of essential material, and also that it has been necessary to meet the deficiencies by local purchases at prices in advance of those which prevail in the world market. Under other circumstances the buyer would have the legitimate excuse that he did not know in advance what his requirements would be; but under our budget system his responsibility is clear.

"Then, too, the budget has opened up weaknesses in the weaving departments. The original weaving schedules in the budget set forth the loom hours of operation, and the total square yards of production which would result from such operation. Some departments have produced their quota of goods in the scheduled time, while others have operated the loom hours required but have produced less than the standard quantity of goods. These results have been very consistent, and have pointed out where the mill operation is weak."

In summing up its results before even one full year of budget operation, this textile company concludes as follows:

"Although our first budget, which we set up at the beginning of the year from the best data then available, did not accurately predict what has actually happened during the year, we believe that it has been successful as a guide to management. We have invariably discovered our weaknesses when we attempted to find out why our actual operations did not agree with the budget."

The experience of this one client is the experience of all who adopt budgetary control. Properly devised and carried out, budgetary control will confer upon any business, large or small, these definite benefits:

- A. It gives greater assurance of the desired profitable sales, production and financial program
- B. It emphasizes the importance of using costs for current control rather than mere history
- C. It minimizes uneconomical uses of capital, such as:
  1. Undue expansion of plant to meet temporary sales demand
  2. Inventories out of balance with sales

- and production requirements
3. Unwarranted investment in work-in-process because of lack of proper production control
4. Unrecompensed financing of customers through excessive datings or excessive storage
5. Irregular use of plant assets on account of uneven sales demand
- D. It reduces waste through:
  1. Study of costs and expenses before actual incurrence
  2. Assignment of responsibility for expenditures
- E. It indicates the importance of a sound plan of organization
- F. It provides a measuring stick for actual performances; no executive is beyond the good influence of materializing his plans for the coming period, and then checking the results of yesterday's decision with today's evidence of profitable results

The development of a budget system to secure these benefits is perhaps the most important single act of the executives during the whole year, and it deserves the greatest assurance of proper preparation. Such assurance is best given when the executives work with a professional organization, the latter having the definite responsibility of supervising the preparation of budgetary standards and properly co-ordinating the whole budget. The professional adviser tackles the problem as a definite job to be done; and, with the co-operation of the company executives, he does it with the minimum of time and effort, for he brings to his work the ability to get results promptly and effectively, on account of his experience with similar work for other companies. Moreover, the professional man brings to bear on the various problems of sales, production and financing a detached judgment unprejudiced by personal relations with heads of departments and uninfluenced by "what we have always done", and the final decision on budgetary standards is more likely to be fair and accurate.

This is an age of research. Almost every company large or small takes pride in the fact that it is maintaining an experimental department for the purpose of developing new or improved products and devising better and more economical manufacturing methods. That the labors of the experimental department are often barren of results is seldom regarded as a valid reason for its discontinuance; it is considered a worthwhile activity on general principles.

Is not a little research work in connection with profit-making equally worthwhile? After all, the prime purpose of any business enterprise is to earn profits, and scientific budget plans, covering sales, production and financing, give increased assurance of the desired earning power.

## Is Advertising a Basis for Credit?

(Continued from page 24)

billboards and other modern means of bringing a commodity to the attention of buyers. But, in those days a trader, who after several business deals established the fact that he handled tobacco of quality, had no trouble in selling or gaining credit. In fact, quality tobacco in some sections was the "coin of the realm" and was used as the medium of monetary exchange. But, the trader first had to establish by "word of mouth" advertising that his product was of the best grade.

Even today, I am told, prisoners in some penitentiaries, where the inmates are not allowed to possess money, use tobacco as a monetary medium. In every instance, I understand, only standardized brands can become a part of the prison "banking system." And the brands have been standardized because the manufacturers advertised and established fixed values for their products.

At a number of bankers' conventions, during the past few years, the question of extending credit on advertised merchandise has been discussed. During virtually every discussion it has been the consensus that the safest loans are made to jobbers and retail dealers who handle advertised products with established values. The suggestion has generally been made that bankers should pay more attention to the advertising pages of magazines and newspapers to familiarize themselves with the standardized brands of the commodities handled by the enterprises to which they are extending credit. The largest percentage of the bankers have taken advantage of the discussions, studied the advertising situation and as a result are now in a position to pass more intelligently on applications for credit. But, there are some bankers who allowed the discussions to go into one ear and out the other. Needless to say, they have been "out some cash" a number of times, when they were forced to liquidate concerns with products of questionable values.

The great extent to which bankers now coordinate advertising and credit is manifested in the message to prospective customers placed in magazines and newspapers by financial institutions. Savings banks stress the importance of creating accounts, not only for the purpose of creating an estate, but as a basis for credit. Customers in department stores, and other concerns, are

sometimes asked by credit managers if they maintain a bank account. This fact is sometimes cited in the advertising written by the bankers.

In the entire cycle of business, manufacturers comprise the unit that is more than any other in need of advertising as a basis for credit. Unless a manufacturer establishes a fixed value on his product by advertising the demand for his merchandise will be less, even though the quality equals that of an advertised competitive brand. Jobbers hesitate to buy merchandise unknown to retailers, who are in the same position relative to their trade. Therefore, to sell his commodity the non-advertising merchant has to expend a large sum for personal contact sales work.

When a banker, to whom he has made application for credit, examines a profit and loss statement the high percentage of selling cost is liable to make him "think two, or three times" before the application is granted. With a low sales total and a high selling cost it is easy to ascertain that the manufacturer of unadvertised merchandise, with no fixed value, has a hard row to hoe in the business world.

Some manufacturers purchase raw materials for their products on a credit basis. Sometimes the supply of the materials is limited and it becomes a proposition of the highest bidder getting it. The owner, or owners, of the materials will take into consideration the likelihood of collecting the money when the time arrives for payment. If the time is far in the future the owner will probably come to the conclusion that the manufacturer of advertised merchandise will probably still be in the business when payment falls due, because he has an established market. On the other hand the manufacturer of unadvertised merchandise is gambling on the future. He has no demand for his goods and may, or may not, still be doing business when the time arrives for payment. There can be little doubt as to the fact that the advertised merchandise factory will probably receive the raw materials.

Judicious advertising creates sales. Profits on sales add to the assets of the business. If advertising is the primary factor in the addition of assets, it might be the answer to the question:

"Is advertising a basis for credit?"

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SEPTEMBER, 1930

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## Credit Inquiries and the Banker

(Continued from page 23)

The most obvious answer would appear to be because the inquirer wants to know something. But why does he want to know? Is it an old account that has been eminently satisfactory or is it an effort to find out about a prospective account? It makes a difference. If the account is that of a customer who has been a customer for years it may be quite a different problem from answering a question concerning an account that is expanding its credit rapidly among new sources of supply. It is not at all unusual for a company to build up a reference list by prompt pay for a period and then start buying everywhere possible so as to arrange a profitable failure. The past relationship with the inquirer is a significant side light on the question of issuing a fair and correct reply.

*"When more than one inquiry on the same subject is sent simultaneously to banks in the same city, this fact should be plainly set forth in the inquiries."*

Any credit man may properly, if he chooses, write to every bank in any

city, using the bank directory as a guide if he chooses, provided each such letter states that duplicate inquiries are being sent to other local banks. But to leave out this notice is to write a poor letter. It is true that such a practice may connect the inquirer with the bank having the information. But it also creates a vast amount of perfectly useless duplication, unless the notice of other inquiries is contained in the letter. Let us take a simple hypothetical case.

A credit man wishes information on John Doe & Company in a city with ten banks. In order to be sure to get the bank with the account he writes to all ten and gives no notice of the duplication. Bank A has the account and the other banks know it. Therefore they all telephone the credit man at bank A or send their investigator over to interview him. This banker has an inquiry himself and gets nine telephone calls or visits. At the best he spends half to three quarters of an hour handling these duplicate inquiries and by the time he has done this he is not usually in a mood nor has he the time to dictate more than the shortest possible reply. Finally the inquirer may get this one opinion and nine reflections of it, all more or less from one source.

If this foolish duplication could be eliminated, and it can be, the credit man in bank A would have more time and inclination to co-operate. If he took half the time it took to answer the telephone calls he could spend three times the time on his own reply. The simple observance of this one declaration will remove many purely non-productive nuisance letters. The credit man who follows this declaration and the one preceding it in writing his inquiries is rated more worthy of attention than the general run.

*"If form letters are used in making inquiries, it is good practice to have them bear the manual signature of the inquirer to establish responsibility."*

Inquiry forms in general are not good practice because being identical in every instance they suggest that the credit problem is always the same.

Neither is it possible to have inquiry forms contain a set of questions that are always applicable. One form came to the attention of the writer that was in a measure quite a ludicrous affair. The name of the subject was—say, "John Doe and Company, Inc.," The third question read—"Married or Single?"

For certain types of inquiries it may be possible to devise usable forms. However, the inquiring credit man should have the form so devised as to cover the preceding declarations. In addition to this the credit man should sign such forms or form letters personally. A printed company name or a fill in rubber stamp signature expresses no authority or responsibility. Any stenographer, office boy or irresponsible person around the office could possess himself or herself of a supply of such forms and send them out as a personal amusement. It would be good practice to have the name of the authorized signer of any such form incorporated in the printed heading, with his or her title. If more than one person has inquiry authority then either supply each with an individual form or print all the names on the general form. In every case have the inquiry signed. Some may suggest that even the manual signature offers no certainty of identity. This might be true for a single inquiry but where this is the case a dictated letter should be substituted. Where forms are used in great numbers signatures will become known.

This covers the main points that harass the recipient of inquiries and make it hard for him to act in full co-operation or feel inclined to give the most information. Some years ago an



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**CREDIT MONTHLY**

experienced banker asked a question:—"Why should I take more time and care in answering an inquiry than the sender took in preparing it?" This question expresses in a few words the whole basic principle of the credit inquiry. The inquirer who takes the time to ask a complete and specific question, who relieves the recipient from the annoyance of duplication, who asks for information only when it is essentially necessary and who writes intelligent letters rather than using forms becomes established as one for whom it is worthwhile to labor.

The inquirer who sees only time saving for himself and who does not visualize the problem from the viewpoint of the man to whom he writes will in the end receive little and may deserve less.

## Credit Group Developments

**M. R. LOWELL SMITH**, National Chairman of the Food Products and Allied Lines Credit Division of the National Association of Credit Men, through the Secretary of the Division, calls attention to the need for Credit Executives in this highly important industry to meet at the Credit Congress of this industry, which will be held at the Edgewater Beach Hotel, Chicago, Illinois, Friday and Saturday, September 19th and 20th.

All members of the Credit Division are earnestly requested to attend, and all members of the industry, who have not affiliated themselves with the Group organization, are most cordially invited to participate in the discussion.

Interesting business sessions, supplemented by ample opportunity for roundtable discussions, have been arranged.

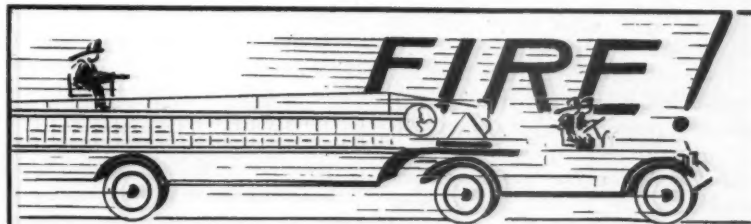
## American Trade Association Executives to Meet This Month

**T**HE part of the trade association in bettering business conditions has been announced as the principal subject before the eleventh annual convention of the American Trade Association executives, which will be held at the Clifton House, Niagara Falls, Ontario, September 24-27. The convention will bring together managers, secretaries, and other professional executives in charge of nearly all the leading trade associations of the United States, and replies already received indicate the largest attendance in the history of the organization.

SEPTEMBER, 1930

## Addresses Wanted

ADAMS, C. H., formerly operated as C. H. Adams Drug Store, 4th Ave. & Walnut St., Evansville, Ind.  
AUDIBLE ADVERTISING SYSTEM, formerly at 340 N. Ashland Ave., Chicago.  
AVRI CHEMICAL COMPANY, formerly 421 Johnston Ave., Jersey City, N. J.  
BARBIERE, B. J., formerly 165 W. 72nd St., New York City, operating Galen Pharmacy.  
BROOKMAN, D. L., General Contractor, formerly located at 528 Warder Avenue, University City, St. Louis, Mo.  
BROWN, NORTON, formerly of 1282 Clybourn Ave., Chicago, operating under the name of Chase Cameron Company.  
CAREY & FITZGERALD, operating as F. & C. Drug Co., 39 S. Pearl Street, Albany, N. Y.  
CARMEL, GEO. A., Newton Highlands Realty Co., 9 Woodward St., Newton Highlands, Mass.  
CENTRAL PAINT AND VARNISH COMPANY, formerly at 40 South Fountain Ave., later at 868 E. Main St., Springfield, Ohio.  
CLAIR, JACK, formerly 1358 West Roosevelt Road, Chicago.  
DODD, DENIS F., formerly 84 Broad St., Pawtucket, R. I., later at 70 Lincoln Ave., Hastings-on-the-Hudson, N. Y.  
FEDERAL MUSIC COMPANY, formerly 103 East 59th Street, New York City.  
HARKAVY, E., formerly operated the Lincoln Pharmacy, 168 3th Ave., Brooklyn, N. Y.  
HENSHAW, R. M., 1189 Eddy Road, Providence, R. I. (Gas Appliance Dealer).  
HERMAN, W. J., Wagon Distributor, formerly 33 Nutt Avenue, Uniontown, Pa. Later moved to Mounts Oliver, Pittsburgh.  
HUFF, WILLIAM, formerly operated as Pythian Temple Pharmacy, Chicago.  
HURTH, GEORGE A., 60 Congress Avenue, Rochester.  
IGNATZIO ROSSI PERF. SHOP, formerly 1098½ Jamaica Ave., Richmond Hill, N. Y.  
JOHNSON, ARVID M., 8115 Vernon Avenue, Chicago. Former address 634 W. 117th Place, Pullman, Ill. (Contractor and Builder).  
KING, C. G., formerly of Morgan Hill, Calif.  
KIRKPATRICK, J. FRED, formerly Dallas, reported as being in Mexico. (Assignee for case of Chambliss Shoe Store, Cleburne, Texas.)  
LANE, P. S., formerly Princeton cor. Broadway, Hewlett, L. I.  
MARKO, ALFRED, formerly operating The Excel Radio Shop, 5855 West Division Street, Chicago.  
PICKWICK RESTAURANT, formerly 1074 St. Johns Place, Brooklyn, N. Y.  
PUTLOCK, CHAS. F., Prop., Actual Battery Company, formerly 1015 St. Nicholas Avenue, N. Y. City.  
RESNICK, H., formerly operated in the sporting and leather goods business at 915 King's Highway, Brooklyn, N. Y. Later moved to 1563 East 22nd St., Brooklyn. Understand party has now moved to Texas.  
ROGERS, W. C., formerly located at Wharton, Texas, operating at The Radio Shop.  
SAKE & BASSIN, formerly 219 East 181st Street, N. Y. City.  
SAMMONS DRUG STORE, formerly Nashville, Tennessee.  
SCHINDLER, A., formerly at 1447 E. Thirtieth St., Lorain, Ohio.  
SCHRECK, W. H., Dixie Market, Inc., Albany and Tifton, Ga.  
SCHWARTZ, D., formerly 18th Avenue, Brooklyn.  
SILVERBERG, SAMUEL, 992 E. 174th St., and 694 Elton Ave., Bronx, N. Y.  
SILVERSTEIN, M., Prop., Bakers Supply Company, formerly 313 East 141st Street, New York City.  
SNELL, WALTER E., doing business under the name of the Bond Paint and Chemical Company, 32 Everett St., Allston, Mass.  
SPINDER, H., formerly 219-51 Jamaica Ave., Queens Village, N. Y.  
SWANSTROM, ERNEST V., contractor, formerly of Chicago.  
SWENY, EDWARD, formerly of Cranford, N. J.  
THORNER & SON, H., 119 Liberty Ave., Richmond Hill, N. Y.  
THURSTON, C. C., Hillsboro Maytag Company, Corvinton, Va.  
TILGHMAN, GEORGE, formerly operated Village Pharmacy, 25th St. and Gordon St., Philadelphia.  
VAN EICHE, OTHA C., formerly 181 Girard Avenue, Marion, Ohio.  
VASQUEZ, MANUEL, 42 South 13th Ave., Mt. Vernon, N. Y.  
WALKER, ROBERT, Prop., American Metal Parts Company, 2528 Willets Court, Chicago.  
WALSH, JOHN, formerly operating at 86th and Vincennes Ave., Chicago, under the name of W. A. Whitmer & Co.  
WEBSTER, WINFIELD, somewhere in New York City, operating a bakery shop.  
WERNER (SAMUEL) & PAWSON (WM. H.), Werner Construction Co., 15 East 40th St., New York City.  
WILSON, HAROLD, formerly connected with the Wilson Radio Shop, Bluemound Rd., Milwaukee, Wisc.



**They will come like the wind and work like Trojans to save your creditor's property. But when their work is done, they will not take care of the losses—that's the insurance companies' job. Be sure your customers' credit is based on sound protection such as is issued by the Aetna Fire Group.**



**AETNA INSURANCE COMPANY**  
**THE WORLD FIRE AND MARINE INSURANCE CO.**  
**THE CENTURY INDEMNITY COMPANY**  
HARTFORD, CONNECTICUT  
**PIEDMONT FIRE INSURANCE COMPANY**  
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# IN THE MODERN OFFICE

An idea and experience exchange on equipment, system and management in the modern credit and business office.

## New Mimeograph Model

The A. B. Dick Company of Chicago has recently put on the market a new Mimeograph model featuring many improvements.

The model will print 500 sheets with no interruption of production for adjustment of paper. The machine automatically feeds paper from post-card size to paper  $8\frac{1}{2} \times 16$  inches.

There is a new Paper Back Stop and Paper Side Gauges which make possible perfect alignment of paper and accurate and uniform registration. The Paper Feed Pad has a flat, spongy surface which eliminates friction and accumulation of paper lint. It can be used indefinitely.

The new Cylinder Lock is conveniently located. The more convenient position of the Ink Tank Lock makes inking a little simpler and more efficient.

As the printed copies come through they are neatly stacked in a substantial new receiving tray. More even stacking results principally from a new Back Gauge.

## The Telephone Typewriter in the Credit Department

In the credit department the telephone has a host of usages already, and every day progressive credit managers are finding more ways to utilize telephone service. The credit manager is the liaison officer between his firm and its clients. In addition to directing the accumulation of credit information about his firm's customers his duties consist of keeping in constant touch with all matters pertaining to con-

tracts or orders, shipments, payments, cancellation of orders or contracts, claim adjustments, returned merchandise, etc. In fact all information about customers' relations with his house should be constantly coming before him. By judicious use of the telephone the credit manager can carry out these duties with the maximum efficiency.

As credit managers have gone forward in making use of the telephone itself, telephone engineers have come forward in the last few years with a new instrument, the telephone typewriter illustrated, that supplements the ordinary telephone service, making possible the instantaneous transmission of not only oral, but also written information. A request for information, a message about information received, or special instructions can be written on the telephone typewriter in the credit manager's office, and simultaneously be received on the receiving instrument in

another office in the form transmitted.

Already this instrument has been adopted as a time-saving and efficient means of communication by business in general. Textile, steel and brass, automobile concerns and many others use this "modern Mercury" to co-ordinate sales, manufacturing and service activities.

The telephone typewriter can be put to work to promote a better co-ordination between the credit department and the other departments of any large organization. Every day of the business week finds the staff of the credit department gathering information from other department heads of the large organization. News about shipments, information about prospective customers, accounts overdue, these and many more bits of valuable information sooner or later find their correct place on the credit manager's desk. The sooner this information reaches him, the better. It



CREDIT MONTHLY



is written information for the most part, and can be sent more quickly by inter-departmental telephone typewriters. Departments in large organizations have found the telephone typewriter invaluable as a means of co-ordinating their activities with those of their branch offices. Every customer is more or less in a hurry to get his orders, and as every credit manager knows, it is to his company's advantage to have credit matters straightened out as soon as possible to make for a minimum of delay in ordering shipment.

## Economic Factors Affecting Industrial Companies

(Continued from page 25)

industries which have been in business for a number of years are generally more sound and more stable than new and untried industries. The older industries have at least demonstrated their ability to weather the vicissitudes of business and financial depressions. By the same token, new companies may not have had an opportunity to prove their ability to withstand periods of depression and develop a certain amount of ingenuity in coping with the problems which every industry is faced with at various times.

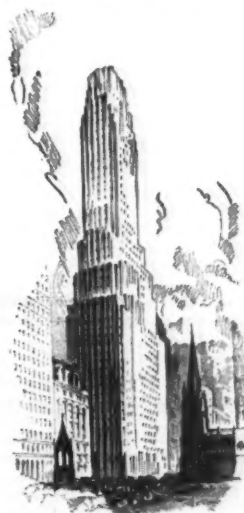
If a company manufactures its product under a patent right it is commonly regarded as a highly favorable factor. While I do not wish to deny the value of patent rights, I do wish to point out certain situations which may arise and adversely affect a company deriving the major portion of its income from its patent rights. In the past, patent rights in some instances, have been subject to lengthy and costly court litigation. In certain cases some patents have been held to be void, thus eliminating the monopolistic nature of that particular patent and depriving the company of its enviable position in its field. A situation such as this may seriously reduce the earnings of a company.

An important problem confronts industries engaged in the manufacture and sale of products for which there is a world price. Commodities such as gold, silver, copper, lead, etc. are quoted in the various markets of the world. This means that companies engaged in mining and selling such products cannot determine the price at which they will sell their output. They must, if they wish to sell any of their output, sell their products at prevailing

prices. The cost of recovering the metals is then of prime importance. High cost producers find their earnings highly susceptible to decreases in prices of the commodities they sell. Low cost producers, on the other hand, are not affected to as great an extent by declining prices for their products. There are a number of gold mines which are not operated today not because the ore reserves have been exhausted, but because the cost of recovering the gold is greater than the price for which the gold could be sold.

Theoretically tariff on imports is

strictly an economic problem but probably no other economic factor has become so interwoven with our political life. It is well enough known that some of our industries are dependent upon tariff protection because of their inability to meet adequately foreign competition. Because of the political nature of tariff regulation it is conceivable, especially in times of changing political administration, that certain tariff regulations may be subject to downward revision. However, this situation is not of major importance at the present time since recent tendencies have



Irving Trust Company Building  
now being erected at  
One Wall Street, New York

## Fresh Vegetables and Banks

DURING the first quarter of 1930, fresh vegetables were brought from Europe to New York at the rate of more than \$1,000,000 worth a year.

More than 40% of these fresh cabbages, onions, potatoes, carrots, etc., were received under Irving Letters of Credit.

The Irving issues Commercial Letters of Credit to importers and exporters and performs many other valuable services for those who look to foreign lands for new markets or new sources of supply.

Let us explain how we can be of service to you.

## IRVING TRUST COMPANY

Out-of-Town Office—Woolworth Building

New York

SEPTEMBER, 1930

When writing to Irving Trust please mention Credit Monthly

been toward increased rather than decreased tariff protection.

There is another phase of the tariff situation which is pertinent at the present time. Our recently enacted tariff bill met with little favor in certain foreign circles. The unpopularity of our new tariff law has resulted in several foreign countries proposing to retaliate by discriminating against American products. The productive capacity of some of our industries is in excess of our domestic requirements and substantial quantities of various manufactured products are shipped abroad each year. While it is too early as yet to prognosticate what effect the proposed reprisals by foreign countries will have on our industries with large exportable surpluses, it is nevertheless, a situation which is worthy of close watching in the near future.

In this article I have outlined briefly some of the more important economic factors which affect industrial companies. These situations should be considered before any attempt is made to analyze the position of any particular industrial company. Succeeding articles will treat the method of analyzing financial statements from the viewpoint of the investment position of bonds, preferred stocks and common stocks.

## The Donovan Plan for Bankruptcy Reform

(Continued from page 27)

known. It is still more doubtful whether these new licensed Trustees, who are to remain subject to the orders and jurisdiction of the Referees in Bankruptcy, can be logically supervised from Washington, without bringing about delays in administration and inevitable conflict with the Referees in Bankruptcy, over whom the proposed Commissioner is to have no jurisdiction whatever. All hope of expedition in administrations under such a system should be abandoned. The slightest experience in dealing with the Internal Revenue Bureau and its interminable delays illustrates this point.

The most serious proposal, however, is the appointment of Trustees by the courts in the first instance in all cases, which, if put into effect, will have the tendency, in the opinion of this writer, to spread through the United States and into each District thereof, where none of the abuses and corruption such as have been disclosed in New York are prevalent, the system of court control which has been so definitely discredited



# ANSWERS TO CREDIT QUESTIONS

Conducted by Walter C. Foster

## Liability of Corporation Officers

**Q.** Upon attempting to collection an account for sales of merchandise to a customer, he states he was acting only as an officer of a corporation and disclaimed personal liability. The corporation has since been dissolved. Under such circumstances, has the creditor any recourse against individuals who were formerly connected with the corporation?

**A.** If the orders in question were placed by an individual in his own name, such individual cannot escape personal liability on the plea that he was merely an agent acting for an undisclosed principal. The individual who placed the orders, if they were placed in his own name, can be held personally liable for the debt. The officers of the corporation would not be personally liable except under the circumstances above set forth.

The directors of a dissolved corporation, however, remain liable as trustees for the distribution of the assets of the corporation among its creditors. If any assets were distributed by the directors to stockholders, or creditors without complying with the requirements of the state statute, the directors would be personally liable for any loss the creditors sustained.

## Trade Acceptances

**Q.** Is there any reason why a trade acceptance cannot or should not be endorsed? In this instance reference is made merely to the credit angle as the prospective customer has no credit standing but can secure the endorsement of a rated and reputable firm or individual. This trade acceptance would arise out of a shipment not yet made.

**A.** A trade acceptance is a special form of bill of exchange. It may be endorsed for accommodation or otherwise, exactly the same as though it were a promissory note. A trade acceptance differs from an ordinary bill of exchange only in that it recites on its face that it represents a sale and delivery of merchandise and is intended for use only for the purpose of covering the purchase price of actual shipments.

## Cognovit Notes

**Q.** Is the cognovit form of note in general use and is it a legal form in the States of New York and New Jersey?

**A.** Cognovit or judgment notes are not legal for use in New York or New Jersey. A list of the States in which the same may be legally used and the forms to be used will be found in the Credit Manual of Commercial Laws with Diary, 1930 edition, on page 234.

## Contractor's Bonds

**Q.** Do bonds furnished by contractors on public works in the State of New York

## As to Legal Advice

**THE** National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

protect one selling material, such as gasoline and oil, to the contractor?

**A.** The bonds furnished by contractors on public works in the State of New York are usually merely for the faithful performance of the contract. They do not protect sub-contractors or material men. The remedy of the sub-contractor or material man under the law of New York is limited to the filing of a lien which attaches to the balance due, if any, from the State to the principal contractor.

## Liability of an Assignee for the Benefit of Creditors

**Q.** What is the liability of an assignee for the benefit of creditors in the event that he deposits trust funds in a bank and the bank fails and the funds are lost?

**A.** The established rule of law is that an assignee for the benefit of creditors is liable for ordinary negligence or for the want of that degree of diligence which persons of ordinary prudence are accustomed to exercise in regard to their own property. If the assignee has acted in good faith in the exercise of fair discretion and in the same manner as he would ordinarily do in regard to his own property, and has acted in relation to trust property with reasonable diligence, he cannot be held responsible for loss occurring in the management of property or made responsible for mere errors of judgment. (See 5 Corpus Juris, 1227-28).

If the assignee has therefore exercised reasonable care in the selection of a bank and has acted in good faith in depositing the trust funds therein, he cannot be held responsible for losses which may result from the failure of the depository.

If there is any question in the assignee's mind as to the soundness of the bank, he should under no circumstances deposit funds of the trust estate therein, unless he obtains a bond protecting the estate against loss. Such bonds are not ordinarily required, however, and in the ordinary case should not be necessary.

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in New York City, and the annulment of the primary and fundamental rights of creditors. There would be little satisfaction in the few rights left to creditors in electing a Trustee, or in electing Inspectors, if the administration had already proceeded to liquidation by the court appointee. Credit men would doubtlessly feel that the only privilege left to them would be to lock the barn door after the horse had been stolen.

Colonel Donovan cites in his report that notwithstanding the necessity for a prompt first meeting, at which Trustees are elected, in 162 voluntary cases in the Southern District of New York the average length of time which elapsed between the filing of bankruptcy and the first meeting of creditors was over 47 days; and in 320 involuntary cases, it was over 76 days; and in 482 cases, selected at random and including both voluntary and involuntary, the period was over 64 days. No reason is given for these long and illegal delays. The statute, as now written, expressly requires the Court to cause the first meeting of creditors to be held not less than ten or more than thirty days after the adjudication. This is a striking example of court control and the ignoring of creditors' rights. During this period of delay, creditors have no opportunity of asserting any influence whatever over bankruptcy administrations in cases where the courts have taken such administration out of their hands, and any changes in the statute which would give the courts further and more extensive control and would permit the courts to perpetuate such flagrant delays will be entirely futile, especially so long as the courts in their administrative practices remain unmindful of the plain intent, purpose and spirit of the Bankruptcy Statutes, and through any laxity whatever fail to protect and enforce the rights of creditors and the theory of creditor control.

Mr. Remington in his article previously mentioned states that the present bankruptcy law is the most carefully framed statute that has been on the statute books of any country, and represents the best thought of England and America during the four centuries since the first Bankruptcy Act was passed on the problem of the best and most effective procedure for the care of the respective creditors and debtors in the event of business failures, and that for this reason those administering the law should devotedly try to ascertain and carry out the true intent and meaning of that law, instead of sub-

stituting their own ideas for a better law and a better method of procedure.

Mr. Remington appropriately calls attention to the fact that in our metropolitan communities there exist at hand reliable credit men's associations and other trade organizations composed of responsible business men. These various trade credit organizations are often ignored in the appointment of bankruptcy receivers and instead of sincerely welcoming their co-operation the Federal Judges appoint their own selections, who, as the recent records in New York have shown, are frequently political friends, and in some instances former associates.

These trade organizations and credit men's associations are fundamentally interested in bankruptcy administrations. They have the facilities for administering bankruptcy cases in courts as well as the facilities for administering their cases out of court. Their co-operation should be accepted by the courts. They should be given an official status in all bankruptcy administrations, particularly in the appointment of receivers, trustees and in the liquidation of assets.

Colonel Donovan is correct in his statement that there has developed on

the part of business men an attitude of distrust and even disgust toward the bankruptcy system. This is increasingly true in New York, as in other sections of the country they are turning to other methods of liquidating insolvent estates, through the agency of credit men's associations and trade organizations. It will be no satisfaction to the credit men to learn from Colonel Donovan's report that the courts are not equipped to meet, nor competent to perform administrative duties in connection with bankruptcy liquidations, and that the judges of the courts have neither the time, the facilities nor the training to exercise these administrative duties, and that they regard their functions in bankruptcy matters as only incidental to their judicial functions.

Creditors may appropriately inquire why, considering the great volume and importance of bankruptcy administrations, the courts cannot be so organized that judges who are competent and experienced in commercial affairs can be appointed, in the first instance, and assigned by appropriate court rules, in the second instance, to preside permanently in the bankruptcy division of the court, giving their undivided time and attention to this vitally important

## Nationalize Your Credits

The National Surety Company invites the Credit Men of Manufacturers and Wholesalers to investigate and become acquainted with the method they are offering for stopping credit losses at a certain pre-determined figure, or else pay the Assured the excess.

Business conditions at the present time call for every safeguard that can be obtained as collateral on credit extended.

## National Surety Company

W. L. CLEMENS, Vice-President

115 Broadway, New York

Agencies in All Principal Cities

SEPTEMBER, 1930

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## JEST FOR FUN

### No Interest

Mike was badly in need of money and decided to call upon his old friend Ike. He was rather diffident about asking for the loan and this was the manner of his approach.

"Ike, my good friend, I had a peculiar dream last night. I dreamed I needed money badly and you gave me a loan of \$500 without interest."

"Mike you have come to the wrong man. I take no interest in dreams."

### Financial Item

1ST HOBO—"I'm gonna jump off dis train and quit it all."

2ND HOBO—"Ah, Gee, Whassrong now?"

1ST HOBO—"Doncha read der papers? Call money's went up ag'in!"

### Try This

A Creditor seeking advice of his Counselor relative to a \$500 account he was unable to collect, confessed that he had no written acknowledgment of the debt.

"Write to him" said the Counselor, "and state that you must have \$1,000 in full payment of the account immediately."

"But it was only \$500," objected the Creditor.

"Precisely," said the Counselor, "this is sure to bring a response and then you will have your acknowledgment."

### Credit or Cash

SLIM: "I always give my wife credit for what she does."

STOUT: "That may satisfy your wife, but mine much prefers the cash."

### Baseball Season

"I just prevented my Office Boy from telling a lie."

"How did you do that?"

"Gave him the afternoon off to see the ball game."

—Sure Enough Humor

subject, unhampered by other judicial duties. Why cannot the courts protect the essential rights of creditors in the enforcement of the underlying principle of creditor control as zealously as they protect the constitutional rights of accused persons brought before them?

And the business men of the country can appropriately inquire why the bar associations in New York have permitted such flagrant abuse and unethical conduct on the part of any of their members, without prompt and appropriate action being taken to disbar them.

The business men of the country will agree unqualifiedly with Colonel Donovan that the administration of estates should be placed upon a businesslike basis, and that competent, trustworthy and experienced individuals or organizations should be attracted to serve as Trustees; that procedure should be simplified; that administration should begin in every case as promptly as possible. But it is exceedingly doubtful that the mercantile interests throughout the country will consent to the centralization of administrative responsibility in any executive branch of the Federal government. The tendency of the times is against centralization of authority and is toward a reversion to the early principles of home rule.

The full value of the plan for licensing trustees can be attained without the dangers of centralizing bureaucratic control at Washington, through the credit men's associations throughout the United States and through the agencies of other legitimate trade organizations, by such associations and organizations setting up and sponsoring competent individuals and tendering the services and facilities of such individuals to the courts to be made use of in bankruptcy matters. These organizations can approve, supervise and sponsor such individuals in this work; or, indeed, the National Association of Credit Men can readily do so along the same general lines that they have applied to their adjustment bureaus in all parts of the country. The Adjustment Bureau of the Los Angeles Credit Men's Association has successfully done this in California and it can be done elsewhere; and it is to be assumed that the courts will welcome the opportunity to appoint as Receivers and to approve as Trustees those who carry the official approval and recommendations of either the local or the National Association of Credit Men or other responsible trade organizations.

Let us have full and unlimited creditor control. Let us accept the responsibilities and demonstrate our competency to manage our own business, and should we fail after having such full opportunity, such failure will then rest where it belongs—upon ourselves.

This writer earnestly believes and feels confident that the credit men of the country will agree that until unlimited creditor control is fully and truly established and tried, and until the bar associations have cleaned their own house, no changes in the structure of the bankruptcy law should be attempted, especially in any way which might endanger the fundamental principles thereof.

We could have no better or higher authority for this than Solicitor General Thacher himself, who as Federal Judge presiding over the Donovan investigation and in filing his memorandum opinion with the Donovan report so appropriately says:

"Unless something can be done to restore to the practice in bankruptcy a more universal regard for professional standards, changes in law and changes in procedure will accomplish little. Judicial process works well enough with good men on the Bench and at the Bar, under almost any system. But it will not work at all with incompetent or untrustworthy men either at the Bar or on the Bench, however perfect the laws may be."

It is clear that any changes required, particularly in New York, are in personnel, in a cleaner Bar, and in the full recognition of creditors and their rights through the agencies already established by them for their protection.

## What Are the Weak Links in the Chains?

(Continued from page 31)

suppliers of bread, butter, milk, and all farm produce, demanding lower prices, so that they can undersell on these household staples. "We must have a special cut price, or we will not buy. You must sell to us for less than your regular price. Lower and still lower. You take the loss." They are continually demanding from the manufacturer advertising allowances, window display allowances, and special rebates, all of which, unfortunately, has been countenanced and conceded in the majority of cases.

The chains' bombastic and brazen effrontery has accomplished their success thus far, and it remains to be seen how far it will carry them in the future.

Despite the fact that the chain store's

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presence has had a paralyzing effect on all chain store communities, the chain still continues to wield its magic spell over a goodly portion of the buying public, who think they can see a few cents saving on buying by carrying bundles. These deluded buyers seldom reweigh their commodity purchases, or even add up the sum of their purchase items. The glamor of the chain advertisement still holds them victim. The hundreds of empty store buildings with "to rent" signs have as yet taught the consumer but little.

That the chains have seen their peak is my firm conviction. That more crashes are imminent among the chains is my expectation. I believe that public sentiment will gradually crystallize against them as a feudal, foreign-owned and operated system without local interest in community building and responsibilities.

The chain did not come in response to any demand to fill any legitimate place in our economic system. Their mushroom growth and sudden appearance was due to stock gambling manipulation. Ultimately, the people will not tolerate an absentee-operated, syndicated system of any kind of stores.

The people of the state of Washington want to do the mercantile distributive business of this state; all of it, and as much manufacturing as possible. We want our money to circulate and return as much as possible. We want big Eastern capital to keep out of syndicated retail merchandising.

The people of Texas are capable of doing their own mercantile distributive business, and want to do it, and so in Dakota or Missouri. The chain grocery store and the chain store in any line of retailing is an evil to the locality infested by them.

In closing, I realize I have touched the subject but lightly, and covered it only in part. The foundation of American prosperity is the independent business man. Let us preserve his opportunity and his individual service, and protect him from being dispossessed and his place taken by organized dollar reservoirs of capital directed and controlled by stock selling Eastern brokerage and banking houses.

## Comments on Collections and Sales

(Continued from page 34)

section are low and trading continues at a low ebb. Considering the unemployment and the crop failure, conditions are anything but satisfactory.

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**MASSACHUSETTS:** A report from Western Massachusetts states that the railway yards are now congested with freight cars. The movements of freight are reported heavier than for two and one-half years. This is not crop or vegetable freight, but staple lines such as machinery, etc. Building here would be boosted owing to the fact that bricks were never so low as well as cement, at the present moment, but brick layers are still demanding \$18.00 a day, and while wages are at this level, there is no doubt that building must suffer.

**MICHIGAN:** Reports from the various sections of Michigan seem to carry a more optimistic feeling. Sales tend to show a slight improvement which is expected to continue.

**MINNESOTA:** Collections and sales are both rated "Fair". Sales are somewhat behind those of last year but a little better than last month. The same applies to collections, but considering present sales volume, collections are holding up well and percentages are within reason.

**NEBRASKA:** Business is inclined to be spotty. Failures in this section among retail merchants to date are less in number than in previous years and by comparison conditions in this trade territory appear to be good and a spirit of confidence prevails.

**OHIO:** Business for the past three weeks has shown a decided improvement. The general outlook is somewhat brighter.

**OKLAHOMA:** Oklahoma reports collections and sales very "Slow". As this is a cotton territory, extreme drought affected collections.

**PENNSYLVANIA:** Collections and sales average from "Fair" to "Slow". There has been a railroad shop layoff in Altoona and there was a complete shut down for the last week in July and the last week in August. Retail collections are considerably more sluggish than wholesale collections.

**TENNESSEE:** There has been an improvement in both sales and collections within the last two weeks. The recent rains have improved the agricultural outlook considerably.

**TEXAS:** The Western part of Texas reports that prospects in sales and collections during the next few months are not very encouraging at the present time. The cotton crop is very scattered in this trade territory and with the price of the commodity very low, a continuance of hand to mouth buying is expected for some time to come. Through the oil belt conditions are "Fair".

**UTAH:** Collections and sales are both reported as "Fair". A gradual improvement in anticipation of harvest is noted.

**VIRGINIA:** Business in general is "Fair". Some lines and some concerns are running ahead of the same period last year but this is confined to those who are fighting hard for business.

**WASHINGTON:** Collections and sales are "Fair". The rather slow collections reflect the reduced returns from sales of the past two months. The sales are about 10 per cent. less than same period last year but are showing signs of improvement.



## THE KEY to the SITUATION

By FRANK A. FALL  
Director, National  
Institute of Credit

IN response to the desire of holders of the Junior and Senior Certificates of the National Institute of Credit for some form of insignia, the key illustrated on this page has been designed, and will be available to certificate holders on and after September 15.

The Institute key will be significant for several reasons. It is the first badge of distinction ever provided for students who have had systematic educational training for service in the credit field. Aside from the presentation of course certificates in local Chapter meetings and of Junior and Senior Certificates at annual conventions of the National Association of Credit Men, it is the first means afforded for conferring public recognition on those who have completed the courses covered in the Institute curriculum.

The key is of 10-carat gold, and compares very favorably with the best insignia manufactured for college and fraternal organizations. The Senior key is the same as the one illustrated, except that it bears the word "Senior" instead of "Junior."

The Institute will provide the keys to holders of Junior and Senior Certificates at \$4.50 each, which is virtually at cost. The method of obtaining them is simple. Checks or money orders should be made payable to the National Association of Credit Men and sent to the Director, National Institute of Credit, One Park Avenue, New York City. Keys will be sent immediately by prepaid registered mail.



# COURT DECISIONS AND WASHINGTON NOTES



## NEGOTIABLE INSTRUMENTS. USURY. WARRANTY. ESTOPPEL. INNOCENT PURCHASERS. (CALIF.).

In action for declaratory relief on a promissory note alleged by plaintiff to be usurious and to enjoin the foreclosure of a deed of trust securing the payment of such note, where plaintiffs at the time defendant purchased the note gave a written warranty that they received the considerations for the full face value of the note, *held* that such warranty in effect amounted to an assurance on the part of the makers of the note that it was free from usury, and this conduct and warranty by plaintiffs constituted an estoppel in pais which precluded them from relying upon the doctrine of usury as a defense against the note. The defense of usury is not available against an innocent purchaser of a promissory note before its maturity for a valuable consideration without knowledge of its usurious infirmity. *Baker et al. vs. Butcher et al.* Dist. Ct. of Appeals, 3rd App. Dist. Calif. Decided June 11, 1930.

## RECEIVER. EXPENSE. ALLOWANCE. (N. Y.)

On June 20, 1928, a receiver in equity was appointed herein to take possession of the assets of the defendant. Among property included in those assets was certain real property. The premises consisted of an apartment house, on which there was a first mortgage lien in the sum of \$80,000 and a consolidated second mortgage of \$30,000 held by one Oestreicher. On October 4th, 1928 Oestreicher moved for an order to segregate the rents, income and profits derived from the premises in question. The order provided that the segregation take effect as of September 12, 1928. Oestreicher then commenced an action to foreclose the second mortgage. Thereafter an application was made by Oestreicher for an order to compel the receiver to account for the rents, profits and income received by him from the aforesaid premises. The matter was referred to the Special Master. Objections were filed by Oestreicher. *Held* that the receiver was entitled to credit to the general fund, the income which he collected from the premises in question herein, from the time of his appointment to the time from which the order of segregation dated. He was under no obligation on his own initiative to segregate such funds. It follows that the claimant's application to have taxes, interest, as well as cost in connection with the foreclosure of the first mortgage, paid out of the general fund for the period from the date of the appointment of the receiver to the time of segregation, was properly denied. As to the other items involved administration expenses, 5 per cent, commission to the receiver on amounts collected, and attorneys' fees of

\$500. The question is whether or not part of them should be paid out of the segregated fund. The claimant contends that to allow the receiver administration expenses and a commission of 5 per cent. is in effect a duplication. The Court cannot view it in that light. "Administration" expenses constituted the proportionate share of the general overhead which the receiver allocated to the management of the property. It was not compensation to him in any sense. He was entitled to compensation. Likewise, since he required the assistance of counsel, and since that item of expense was not included in "administration" expenses, he should likewise be allowed a reasonable fee for counsel. *Cross vs. Leverich Realty Corporation et al.* U. S. Dist. Ct. Eastern Dist. of N. Y. Decided June 3, 1930.

## ASSIGNMENT OF FUTURE WAGES. VALIDITY AS AGAINST DISCHARGE IN BANKRUPTCY. (OHIO).

Plaintiff in error received his discharge as a bankrupt in a voluntary bankruptcy proceeding. Prior to the filing of the petition in bankruptcy, he had procured a loan from the defendant in error and simultaneously therewith executed and delivered an assignment of fifty per cent. of his wages to be earned as an employee. *Held* that the situation is that a loan was made by the Finance Company to the plaintiff in error; that to secure the loan, as provided in the statute, he made an assignment of his future earnings. We have in the Bankruptcy Act the provision that a discharge in bankruptcy shall release the bankrupt from all his provable debts, with six exceptions, and the wage assignment is not one of the exceptions. Under the express provisions of the Bankruptcy Act, the bankrupt is released from the payment of the loan. Section 6346-7, general code of Ohio authorizes the assignment of wages or earnings to secure a loan. If the plaintiff in error is released under the bankrupt act from the payment of the debt or loan, how then may any security given therefor be effective? That a sale of futures is valid can not be gainsaid. But this is a sale of property to be produced. But the assignment is not claimed and can not be considered under the statute of Ohio to be a sale of property. The statute says it is given to secure the payment of a loan. Moreover, section 6346-7, general code, provides: "Nor shall any such assignment be valid unless made to secure a debt." Not being a lien, then subsection D of Section 107 of the Bankruptcy Act affords no protection to the Finance Company. Having determined that there is no lien, the bankrupt having been released from the payment of the loan constituting the debt, the assignment must fall, and is unenforceable

as against the bankruptcy. *Rowe vs. Public Finance Co. & ano.* Ct. of Appeals. Ohio. Decided June 2, 1930.

## ASSIGNMENT FOR BENEFIT OF CREDITORS. ALLOWANCE OF COMPENSATION. SUMMARY PROCEEDINGS. (N. Y.)

At a meeting of the creditors of Jack Stolkin, Incorporated, Jack Stolkin executed a deed transferring its property to assignees for the benefit of creditors. The assignees put a manager as well as a custodian, in charge of the factory and took an inventory and conducted the business. Thereafter, a petition in bankruptcy was filed by three creditors and a receiver was appointed to whom the assignees at once turned over the physical assets of Jack Stolkin, Inc. The referee regarded payments for the manager and custodian, as excessive, and the sum taken by the assignees for their own compensation as an item which he should not allow. The District Court directed the assignees to pay over these sums to the trustee. The question is whether the District Court had the right to pass upon the validity of these payments in a summary proceeding. The assignees insist that they are in the position of adverse claimants in respect to these items and that they may require the trustee in bankruptcy to establish any claim which he has against them in a plenary action. *Held* that the Supreme Court while adhering to the rule that the bankruptcy court may summarily order the assignee to turn over property in his hands which formerly belonged to the bankrupt is so far as it is not fairly required to pay obligations which he incurred before the petition was filed, or to compensate him for his services, has treated him as an adverse claimant in respect to such items. It seems to have been steadily held that the claims of an assignee for compensation cannot be disposed of in a summary proceeding. The amount which may be allowed must be determined in a plenary action. The bankruptcy court was precluded from adjudicating upon the items in question. *Matter of Jack Stolkin, Inc.* U. S. C. C. A. 2nd Cir. (N. Y.). Decided July 7, 1930.

## INSOLVENCY. DELIVERY OF BONDS FOR SAFE KEEPING. NEGLIGENCE OF DIRECTOR SUING FOR RECOVERY OF THE BONDS. (TENN.)

Appellant delivered to E. D. Green, cashier of the National Bank of Franklin, for safe-keeping, Liberty Bonds. Appellant was one of its directors. Upon failure of the bank, appellant applied to the receiver for the return of the bonds. The evidence shows that the bonds were stolen from the box by some employee of the bank. *Held* that the bank was

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a bailee, held to the measure of care that an ordinarily prudent person would usually exercise in protecting his own property of a similar character. There was negligence on the part of the bank, but it consisted in the failure of the directors, of whom appellant was one, to exercise proper care in selecting employees of the bank. The negligence therefore was appellant's as much as that of the other directors, and he cannot recover for his own negligence to the prejudice of others. It makes no difference that he held the bonds as trustee for himself as life beneficiary with the remainder in others. As between him and the bank, he is the sole party in interest. The rights of the remaindermen depend upon his responsibility to them as trustee. *Johnston vs. National Bank of Franklin & ano.* U. S. C. A. 6th Cir. (Tenn.) Decided June 12, 1930.

#### BANKRUPTCY OF LESSEE. SECURITY. CONVERSION BY LANDLORD. (N. Y.).

One Bannon was the owner of the premises which he leased to the bankrupt; \$1,200. was delivered by the tenant to the landlord as security and deposited by the landlord in his personal account, but he drew cheques against this account from time to time, until the entire amount in the bank was but \$106.44. It also appears that the "T. J. B. Realty Co., Inc.", a corporation in which Bannon was the sole stockholder, carried an account and the combined balances of his individual account and the corporation account at all times exceeded \$1,200. The bankrupt owed rent amounting to \$400. and \$800. for taxes. Bannon filed his proof of claim against the estate for \$1,200. to cover the rent of \$400. and taxes of \$800. The trustees objected to his claim and asked that it be disallowed on the ground that Bannon had converted the \$1,200. security. The Referee allowed the claim. Held that there was a conversion though a technical one, and the Court is bound to so hold. The landlord was to keep intact at all times this fund entrusted to him and under his sole control. The landlord having appropriated to his own use the funds which had been entrusted with him by the tenant to hold as security, the tenant is entitled to have the amount which the landlord appropriated credited against the rent the tenant owed to him. The landlord converted all of the \$1,200. placed with him as security except \$106.44, namely—\$1093.56. Bannon's claim should be allowed in the amount of \$106.44 only. *Matter of Walter Furniture Co., Inc.*, U. S. Dist. Ct. So. Dist. of N. Y. Decided June 11, 1930.

#### MORTGAGE. INSTALLMENTS. DEFICIENCY JUDGMENT. GUARANTOR. (N. Y.).

Action upon a guaranty of payment of installments of a mortgage as they became due. There was a default in payment of an installment and foreclosure action was brought on the entire debt and judgment was entered thereon for a deficiency of \$8,000. Held that the installments are, therefore, all due under the acceleration clause operative on default in one, since the prescribed election was made by the mortgagee and a judgment declares the sum due at once. Plaintiff offsets the sum realized on the sale in reduction of the debt which the guarantor agreed to pay if his principal did not. Defendant urges that he is not liable except for the amount of the installments as they severally would have become due under the mortgage agreement. This would subordinate the judgment to the mortgage installments which are now merged therein and prevent any recovery on the guaranty, although the judgment declares the debt guaranteed due. This is an ingenious device, but the debt may not be avoided by so facile a means. Judgment in favor of plaintiff. *Weinberg vs. Elias*.

Supreme Ct. App. Div. 1st Dept. N. Y. Decided June 23, 1930.

#### INSOLVENCY OF BANK. TRACING DEPOSIT. TRUST FUND. (ARIZ.).

Plaintiff brought suit against The Prescott State Bank to recover \$1,566.08. It is the contention of plaintiff that a certain deposit made by it in the Prescott State Bank was a trust fund for the reason that at the time of such deposit the bank was hopelessly insolvent to the knowledge of its officers and directors. Held that assuming that the agreed statement of facts shows the creation of a trust in favor of plaintiff, there is nothing which would enable the court to trace the deposit either in its original or changed form into the hands of the receiver. The deposit was cash, and the statement of facts fails utterly to show either what became of that particular cash or that any cash whatever came into the hands of the receiver when the bank was closed. Plaintiff has failed, therefore, to trace his deposit into the hands of the receiver, and this being one of the necessary requirements before he can recover the amount thereof as a trust fund from the receiver, the trial court correctly rendered judgment against him. *Florence Mines Co. vs. Prescott State Bank et al.* Supreme Ct. Arizona. Decided April 21, 1930.

#### CLAIM. GOODS SHIPPED ON CONSIGNMENT. PRIORITY. (PENN.).

Two questions arise in the case; first, whether the claims for goods shipped to a consignee before bankruptcy on consignment are entitled to priority of payment out of the funds derived from the sale of the assets by the bankruptcy court. The second question is whether the goods purchased by the receivers appointed by the State Court to complete the stock of goods and to conduct the business are entitled to priority of payment out of the funds derived from the sale of the assets by the bankruptcy court. Held that the referee has found that the funds realized from the bankrupt's estate have been so co-mingled that neither the amount nor the specific sum realized from the sale of the said consigned merchandise can be definitely ascertained in kind or substituted form and these creditors are now too late to ask that their claims be allowed prior to the claims of the unsecured creditors. As to the other creditors claiming priority under the theory that their claims represent goods purchased by the state receivers, the referee has found that the merchandise bought by the State Receivers was not bought in accordance with the order of that Court to conduct the business of the company, and that the merchandise so purchased did not benefit the estate. Accepting these findings of fact of the referee, it follows that the claims cannot be paid as preferred claims. *Matter of Kramer's, Inc.* U. S. Dist. Ct. Dist. of Penn. Decided July 19, 1930.

## WASHINGTON NOTES

#### Drop in Construction Expenditures

Building permits issued in 87 of the larger cities of the country during the first half of the year showed a drop of 53.1 per cent in contemplated expenditures as compared with first six months of 1929, according to a statement just made public by the Bureau of Labor Statistics of the Department of Labor.

Indicated expenditures for building in the 85 cities amounted to \$736,591,196 in the first

six months of 1930, as compared with \$1,570,145,411 for the same period in 1929.

Some cities, however, showed an increase in expenditure for the first six months of 1930. Cincinnati showed the most notable increase. Other cities with increased expenditures for construction during the period are: Kansas City, Memphis, Nashville, New Bedford, Omaha, St. Paul, Tacoma and Trenton.

The decrease in expenditure for residential structures was 72.7 per cent., while the decrease for new non-residential buildings was only 25.9 per cent.

#### Sixth International Road Congress

The forthcoming Sixth International Road Congress which is to be held in Washington will bring delegates from all parts of the world including New Caledonia, Siam and Mozambique.

The relief of traffic congestion will be one of the major points under discussion at the Congress. After the sessions of the Congress are concluded, foreign delegates will make tours over the country which will enable them to study road construction and maintenance in the United States.

#### Field Work in Newark Bankruptcy Investigation Completed

Domestic Commerce reports that field work has been completed in the study of causes of business failure in Newark, New Jersey, which is being carried on by the Bureau of Foreign and Domestic Commerce, with the co-operation of a Federal Judge, the Yale School of Law, the Chamber of Commerce and the North Jersey Association of Credit Men.

The following information was secured from each bankrupt, during the period: the total capitalization at the time of organization of his business, sources of borrowed capital, and the amount of credit extended by dealers to start the business. The amounts owed various creditors, including loan and finance companies, as well as a detailed enumeration of scheduled liabilities were also ascertained.

Data on the business in the last year before it failed were sought, including total net sales—cash, open-credit, and installment; net losses for bad debts on installment and open-credit sales; the monthly rental paid, whether the debtor belonged to a trade association and made use of a local credit bureau; the interval between inventories; average value of inventory for the last year in business; what books were kept; amount of insurance carried; advertising practice, including data on media used and amount expended; and bargain-sale policy.

Inquiry was made as to whether sales fell off preceding bankruptcy and, if so, how long before; whether trouble was encountered in collecting bills receivable and for what period before the bankruptcy; how long before bankruptcy difficulty was experienced in meeting bills and what adjustments were attempted after such difficulties began; whether the debtor ever had similar trouble before in the same business, and, if so, when and how the difficulty was overcome. The amount of time the owner, his wife, and other members of his family gave to the business was asked, as well as the number of outside employees.

The debtor's previous history in relation to business failure was sought, the line in which he failed previously, where his store was located, and the method of liquidation used. The length of time in the present location was asked and whether any marked change in racial groups in the business community in the past year had affected his business. Each debtor was asked to state to what he attributed his failure.

The data on this study are being summarized for publication, but it will be several months before the full report is available. As soon as it is issued Domestic Commerce will announce the fact.

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